

**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	<u>Guest/Public:</u> Rick Cave
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November 15, 2011

The meeting was called to order at 6:32 PM at Central Office in the superintendent's office. Topics covered included:

Technology Refresh: Mr. Cave reviewed the summer technology actions that had been originally discussed at last January's committee meeting. Overall, the identified actions were successfully implemented. Spending was in line with expectations at a total of \$459,844.74 versus an original estimate of \$474,000.

Projects included:

1. A new network core switch installed at CMS; this was fortuitous as the old switch then replaced a MRS switch that failed in October.
2. A replacement for one of the two district central file servers was installed and configured; migration of files has been delayed to coincide with other information system restructuring efforts.
3. Two hundred Windows computers in classrooms and media center at HSN were replaced; many of the remaining machines of this vintage have been virtualized, extending their usefulness at low cost; the replaced machines will fill in as replacements or used for spare parts.
4. One hundred Macs at the four K-3 schools were replaced; the age of the operating systems has become a problem as many new applications no longer work on old operating systems.
5. All Intel based Macs were upgraded to new operating systems.
6. Ten desktop switches were replaced.
7. Six servers were replaced along with necessary associated equipment such as blades and storage capacity.
8. Replaced six desktop Power Over Ethernet switches.

Increasingly, over the years, there has been a shift in the refresh expenditures. Early on they centered on replacement of aging PCs. As the infrastructure required to support effective instruction grew, the expenditures have moved to the servers and switches needed to provide a satisfactory and reliable level of service on the devices used. This infrastructure and the growing use of BYOD (Bring Your Own Device) places significantly higher power demands on the district's electrical systems. These systems are stretched near their maximum already at several schools and this will spread as power needs grow. Serious attention to increasing power and the associated back-up generators – all rather expensive – will have to be given in the coming years or significant alteration in power utilization will have to be acceptable, changing the way technology is used in the district.

For some time, the district has been aware of the inadequacy of the HVAC system in the HSN MDF room; the heat generated today is far in excess of that for which the room's HVAC was designed. Adequate cooling has been a problem. A solution is in the final stages and soon the room should be fine. Unfortunately, the HSN generator is fully loaded and the new HVAC cannot be placed on it – leaving a potential problem in outage scenarios. This is a ready example of one of the power difficulties referred to above.

Looking ahead, the biggest risk to the district's technology is the power problem described above. A future district-wide project is bolstering the wireless systems; there are dead spots and other difficulties that need to be addressed during the coming year so as to allow the more effective use of technology in instruction.

Review Agenda Items: The agenda items are acceptable. The state mandated Flexible Spending Account may cost the district \$75,000 to \$100,000 in a twelve month period and is another example of an unfunded mandate. It will be on the next agenda so that the program may start in January.

Review Corrective Action Plan: The current CAP that takes into account the two findings for 2010-11 were compared to the CAP of a year ago that dealt with four findings. Back in 2006, the CAP dealt with twelve findings. Back in 1999, it was fourteen findings. Improving operations relating to findings requires the participation of staff all across the district not only the Business Office. The decline in findings and the absence of repeat findings is a tribute to all involved. It was noted that with the breadth of actions associated with some topics, areas such as the ASSA and students activity funds, make an appearance more likely than other topics.

2012-2013 Budget: At the last committee meeting, it was agreed that expenditures associated with community education's utilization of facility personnel and energy would be phased in over a four year period; next year about \$230,000 will be charged to CE. It was agreed that the capital spending level in the annual budget should return to the \$1.5 million level. These decisions were affirmed. In addition, there was discussion on the \$8.3 million excess fund balance to be designated for 2012-13 budget.

Most of the discussion focused on tax relief, the greater the tax relief, the greater the burden on the Board of Education to curb spending if that amount cannot be sustained in future years; this requires a willingness to cut programs to match any imbalance of future years. It was mentioned that the auditor had also noted this risk and suggested that consideration be given to legally permissible applications of these dollars such as adding to the unemployment compensation fund, capital reserve and maintenance reserve. The committee suggests adding \$0.3 million to unemployment, \$1.5 million to capital reserve which then applies about \$6.5 million for tax relief in the 2012-13 budget.

The budget discussion moved to the 2% general fund tax levy increase topic; the current law allows the district to raise the general fund tax levy up to 2% plus a number of automatic adjustments. In the last budget cycle, this theoretically allowed the general fund tax levy to potentially increase by 2.27%; with the budget defeat, the increase came in at 1.9%.

Several years ago, the district applied the tactic of raising the general fund tax levy to the maximum and using any available dollars to reduce the debt service tax levy, keeping the overall tax levy increase relatively moderate. Compounding is powerful and while not going to the maximum may be a small number of dollars in any one year, over a number of years the impact to the budget can be large.

The committee suggests that the early focus of budget scenarios looked at two options: the typical 2% plus automatic adjustments in the general fund tax levy; and, a second option in which the total (general fund plus debt service fund) tax levy increases no more than 1.25%. Should the second option result in a shortfall in any budget period due to volatility in items such as benefits, special education or state aid, the BOE must be prepared to reduce spending, possibly on short notice.

In addition to the usual pressures on the budget for increased expenditures for salaries and health benefits, there are needs/requests for additional dollars for: the FSA; continuing programs without Title II dollars; charter school; outdoor education; providing Title I type services to non-Title I schools; and PERS, among others. As a zero sum game, the more dollars for existing and added programs, the fewer dollars are available to be applied for contract negotiation use.

Committee Meetings: The December 13th meeting will start at 6 PM. The January meeting will be January 12, 2012 at 6:30 PM.

Solar: There are only 11 more months of CREB eligibility, but still no word from the State of New Jersey. The architect notes that the district could proceed, if it chose, with installing 820 kw without any roof work: 350 KW at HSS (at a likely contract cost of \$1.6 million); 230 KX at Village (contract cost today at about \$1.1 million); 140 KW at community (\$0.6 million) and 50 KW systems at both Hawk and Wicoff. The committee agreed that unless doing the full CREB Phase II project, the 50 KW systems are relatively uneconomic and would not be done. The Community and Village systems could be done under CREB, even

without debt service aid, if done in the next 11 months. Capital Reserve could be utilized to do the projects – the same as was done for the Phase I projects. Materials distributed at earlier meetings provide data that can be utilized to determine the cash flows for a variety of circumstances.

The committee reviewed the current SREC position of the district. For July through September, the district has 84, year 2012 SRECs and has 19 in process for October. Because state regulations relating to SRECs require a specific BOE resolution approving the sale, a fast response to market conditions is constrained.

Service Employees International Union: Sodexo sued SEIU for its actions against the company and a settlement was recently announced. Rather than face discovery in conjunction with the lawsuit, the SEIU agreed to a settlement that ends the attacks the union has been making for the past few years. In some ways, this is a landmark conclusion of the legal action against the union.

May 2011 Taxpayer Guide: The committee reviewed the document both for the district and like size districts. Comparisons are favorable to the district. Every recent budget has had significant fund balance use for tax relief. When such tax relief moves from budget to actual, the dollars are characterized as local taxes since that is where they originated. The revenue sources designation for Use of Fund Balance is for use of the underlying 2% of budget that is allowed to be kept long term in the general fund balance. The 2% maximum used to be 6% in New Jersey and bond rating agencies recommend 5%. Municipalities are not limited to the 2% fund balance number.

The guide's 2009-10 total per pupil spending was \$16,555 for WWP compared to like sized districts of \$17,826 – WWP is favorable by \$1,271 per pupil. Numbers compatible with the long standing state numbers for the comparative spending guide have the district at \$12,388 versus all our sized districts at \$13,629 – WWP is favorable by \$1,241 per pupil. If the district spending was at the average, an additional \$12 million in taxes would be necessary.

The district has made aggressive use of capital reserve and ROD grants to keep the annual budget expenditures for these areas low. The 2009-10 WWP operations cost per pupil; is \$1,199 versus the average for our size district of \$1,476; our number is 19% below the average and was the 23rd out of about 105 (only 22 were at a lower cost and 82 spent more). Our classroom spending was 52nd (51 spent less and 53 spent more).

Our total 2009-10 actual “budgetary cost” is 36th – only 35 had lower spending per pupil and 68 spent more. As the board of education president often remarks, a top quality educational experience at below average cost.

The meeting adjourned at 9:02P.M.

NEXT MEETING: Tuesday, December 13, 2011, 6:00 PM @ Grover MS Faculty Dining Room

Topic for Next Meeting

Review Agenda Items
2012-2013 Budget

Future Topics:

Impact of Recent Legislation
Policies