

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



<u>BOE Committee:</u> Anthony Fleres (Chair) Hemant Marathe Yibao Xu	<u>Administration:</u> Victoria Kniewel Larry Shanok Lawrence LoCastro	<u>Guest/Public:</u> None
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August 20, 2012

The meeting was called to order at 6:35 PM at Central Office in the lower level conference room. Topics covered included:

Review Agenda Items: It was noted that finance item 1b requires correction to a bill list total of \$4,145,504.47. The Committee supports the agenda.

2011-2012 Budget: Excess surplus from the year just ended is a very favorable nearly \$11.8 million. A number of areas all broke favorably, among them: A) The district budget is finalized well before the State of New Jersey commits to a final level of state aid. Ultimately, the State increased general fund state aid by \$3.4 million over the amount budgeted. B) Health benefit expenditures increased by a modest half a million dollars from the year before; indeed expenditures were only \$122k higher than in 2009-10. Virtually flat health benefit spending over a three-year period is remarkable and the health category contributed \$2.1 million to the excess surplus. C) Utility expenditures fell by 21%. Such expenditures have not been lower than this since the 2005-06 fiscal year! This category contributed nearly \$1.2 million to excess surplus. D) Transportation expenditures in 2007-08, 2008-09 and 2009-10 were in a tight range of \$8.1 to \$8.3 million; expenditures last year were \$7.8 million and the favorable balance in the department was \$1.1 million. E) PIACS Charter did not open and the nearly one million in the budget for that eventuality fell to surplus. F) General fund special education tuition rose by almost 14%, but other than 2010-11 which was aided by federal funds, expenditures in this category have not been at the 2011-12 level since the 2003-04 fiscal year; this generated \$0.8 million toward excess surplus. Just these six areas make up over 80% of the total excess surplus. As in past years, fiscal discipline by budget area administrators led to this very favorable result.

The Committee and the Board of Education will have to give careful consideration as to implications for the next budget round.

Audit: The audit is proceeding nicely. It is in line with previous years, a few audit adjustments will be necessary. While no serious findings are anticipated there may be some best practice recommendations relating to Community Education (some day-to-day changes are already in progress).

Bond Refunding: This process had major milestones in the past few weeks. Conference call separately with Standard and Poor's and Moody's led to each rating agency rating the district at their highest level. At the bond sale of August 14th, bidders had to advance \$425,000 to enter the bidding as "earnest money." Eight strong bidders submitted bids. The winning bid provided nearly \$2.8 million in present value savings and a percentage savings of refunded bonds of 12.68% (both excellent figures for two key bond issue criteria). Annual calendar year savings of about \$350k will be realized for each of the eight years 2013-2020. Work continues on the details of the bond process which will conclude with a September 4, 2012 closing.

Summer Construction: A number of projects have had complicating issues. On August 16th the bid opening for HSS's Project Adventure was stalled when there were no bids; a second bid cycle will be pursued. It required a second bid cycle to provide the agenda item for HSN's stair tower door hardware. Second bid cycles are about to be realized for the pool filtration projects. The GMS coating project is

complicated by erratic contractor performance. Getting all the details set utilizing shared service options have slowed progress on projects such as HSS MDF room. Bids for the Wicoff driveway restoration were unsatisfactory and the disruption of the delay means this will not be done until next summer – as is the case for DN’s boiler replacement.

On a positive note, the Wicoff roof project is nearly completed, as is the CMS air handler effort, and GMS carpet installation. Work is in progress on the HSS bleacher project, HSS tennis court repair, CMS sidewalk replacement, and MRS paving restoration. The MH air conditioning projects are to be awarded August 21st.

Unemployment Compensation: As anticipated when the government adopted Extended Benefits (EB), the district’s unemployment compensation expenditures have skyrocketed in 2012. Second quarter was at nearly \$159k with 88% of it for Extended Benefits for 33 former employees. The first quarter was \$175k with 85% of the total Extended Benefits. Excluding EB the first quarter had \$27k of benefits paid; the second quarter \$18k, so other than for Extended Benefits the district’s unemployment compensation expenditures have fallen to low levels. In contrast, the first quarter 2011 was at the \$66k level; second quarter at the \$32k level. It appears likely that the district has already paid about two thirds of its current potential liability associated with Extended Benefits.

ROD Grants: The SDA has been rather gracious, allowing the district to “hold” open three ROD grants without committing matching funds in place. The district originally submitted 44 third round grant projects by the January 2010 deadline; two projects were rejected; one was dropped after its inclusion in another. Last Fall the district dropped one that had emerged as not needed after some maintenance had been done. That left 40 third round active projects.

A discussion with our architect and Buildings & Grounds about the three uncommitted projects leads the district to conclude that they be dropped. Two are roof projects at North: when the district expectation was that Phase II solar would be implemented, early replacement of the gym roofs seemed sensible – avoid placing solar on the roof and then in a few years remove it to do the roofs. Without solar, work on the roof is likely five or more years in the future. The third project anticipated replacing pipe insulation at South; however, in the nearly three years since the project was first conceived, the insulation has demonstrated no need of replacement after all. The Committee agreed with the administration’s analysis and the three projects will be withdrawn. That leaves 37 round three ROD projects, still the most of any district in the State.

2013-2014 Budget: While no policy or regulation applies, the district has observed the recommendations of the Budget Process Review Committee for many years. October will be a board retreat discussion on the budget, which conforms to the spirit of the BPRC. The Finance Committee should give thought to what it may want to suggest going into that discussion.

The large excess surplus as of June 30, 2012, will provide opportunities in the upcoming budget. Continuation of the long standing tactic of utilizing general fund dollars through capital reserve and then to debt service may lead to there being no call for debt service tax levy. To avoid a problem in the following year, the utilization of tax relief has to be moderated. It can provide opportunities such as in the current budget in which total tax levy declined by \$1.5 million. The current budget also placed funds in capital reserve, maintenance reserve, and into the unemployment compensation account. Similar actions may be good within the 2013-14 budget.

An additional possibility is raising the capital outlay amount in the general fund. With over \$200 million in physical assets, the \$1.5 million level is modest; also, the amount in that budget for technology has often been small. This could be an opportunity to place more funds in the budget for these purposes. Should there also be no need to budget significantly for charter schools, the overall situation may allow little or no increase in tax levy depending on where initiatives are desired and how our expectations form for increasing costs in health premiums, special education related expenditures, energy, insurance, and other volatile cost categories.

Finance Committee Meeting Dates: The Committee finds the present dates satisfactory.

The meeting adjourned to closed session at 7:38P.M. The meeting returned to open session at 8:10 PM and adjourned.

NEXT MEETING: Tuesday, September 18, 2012, 6:30 PM @ Central Office

Topic for Next Meeting
Review Agenda Items
Budget
Updates

Future Topics:
Impact of Recent Legislation
Policies