

# Finance Committee Meeting Minutes

September 8, 2020

The Finance Committee met on Tuesday, September 8, 2020 at 6:30 pm at the High School Conference Room and virtually through a Zoom Meeting Room. In attendance were committee members Tom DiBello, *Committee Chair*, Christina Melton, Wendy Earle, and Clinton Jackson (via zoom); board members Linda Fazzini, Diane Sullivan and Coleen Zasowski (via zoom); administrators Dr. David Goodin *Superintendent*, Robert Rizzo *Assistant Superintendent*, James Fink, *CPA CFO*, Mary Davidheiser *Controller*, and Erin Crew *Director of Communications* (zoom); residents Will Cromley, and MJ Mcnamara (zoom). Mr. DiBello called the meeting to order at 6:37 p.m.

- Review and acceptance of minutes for May 12, 2020. Accepted.
- Executive Reports – 2020/2021 reports through August 31, 2020 reviewed by Mr. Fink
  - Liquidity: Currently cash balances are \$128MM compared to last year \$112MM.
  - Revenues: Real estate coming in ahead of par. Transportation is lower due to timing issue.
  - Expenditures:
    - Property services down due to outsourcing of cleaning personnel by about \$270K
    - Expenses down in transportation due to the delay in payment to the bussing company
    - Mr. DiBello explained the bussing is being used for non-publics and per contract as the District is required to pay for 180 school days, which is normal contractual language for bussing. In future we will likely see a clause for Pandemics.
    - Ms. Earle questioned if anyone has been in contact with the bussing company, and if drivers will be available for when we return. Mr. Fink indicated that he has met with Custer's on this topic and the renewal contract.
  - Assessments:
    - Started 2020-2021 with \$4.092B in assessments. Target for the end of last fiscal year was \$4.099B and we came in slightly under our target due to the stoppage in the 4<sup>th</sup> quarter.
    - Assessments are currently at \$4.101B so we have passed last years target at this time.
    - 2020-2021 year-end target is \$4.146B with \$44MM to go.
  - R/E Transfer Taxes are \$173,472 for July which has slowed down from last year due to the pandemic's effect on the real estate market. August figures were not available yet.
  - Earned Income Taxes are ahead from last year by \$65K
  - Self-funded insurance is running about \$860K per month which is well below the expected monthly average of \$1.15MM. Claims are low due to individuals having limited access to doctor offices and the postponement of elective procedures, but we expect this to pick up during the fiscal year.
  - HS Project: balance remains at \$1.1MM
- 2019/2020 **Soft** Close Recap
  - Mr. DiBello gave an explanation of a soft close. Figures could change slightly as the data is still being finalized, Mr. Fink reported that the audit field work will start October 5 and will take approximately 1 month
  - Revenue: Decline in interest and the collection of delinquent taxes in the 4<sup>th</sup> quarter due to the pandemic (\$800k). Received all Basic Education Subsidy. Overall revenues exceeded budget by approximately \$1.1MM
  - Real Estate transfers ended at \$2.1MM compared to \$2.2MM last year. The District was still over budget by \$458K but the shut down impacted the end of year number and if it had not occurred this would be higher.

- Earned Income Tax: Even with Pandemic still did well. Remember the budget was bumped from \$10MM to \$10.3MM. During May all gains throughout the year were eliminated, but June added a \$200K recovery of gains
  - Ms. Melton questioned if we saw a tax bump in July due to filings and Mr. Fink explained that we saw some of that in August 2020.
- Collectively year to date the District saw revenues of \$161MM and expenses of \$163MM which is an operational deficit of \$2MM – however \$4.6MM was budgeted from the Debt and PSERS reserves as designed to cover the budget gap. With this consideration the district came in ahead of budget by approximately \$2.6MM (SOFT CLOSE)
  - Mr. Fink stated that annual budgeting must be done over a 7 – 10 year outlook (not simply one year to the next) because Act 1 puts a fixed ceiling on year-to-year revenue increases. District expenses are forecasted to increase year/year by approximately 3.5%, while revenues are only forecasted to grow year/year by 1%. This gap is how increases, if any year to year need to be based upon as we have done since Mr. Fink's arrival at the district. Mr. DiBello further stated that failure to do so would put the district in financial instability over time.
  - Mr. DiBello stated money not used this year will help the District next year and Mr. Fink added it will be spread over the long term to avoid year-to-year issues
  - Ms. Melton questioned if the \$2.62MM reallocation had any restrictions, and stated the Board cut \$500K in property and \$500K in technology contributions to the reserve fund. Could this be replaced this with the surplus.
  - Mr. DiBello stated that surpluses need to be voted on and Mr. Fink said that will not happen until after the audit
- Self-Funded Health Insurance: Finished on the plus side (\$580k) due to doctor offices being shut down
- Food Services: 90% of operations during the closure have been happening at the Flex building. Before the Pandemic the program was on its way to \$3MM in sales and crushing it, which Mr. DiBello says supported our decision to go with Aramark.
  - Mr. Fink stated that the program was on pace for about \$3MM and then with the Pandemic, and due to the passage of Act 13 the District was required to pay all the employees with no revenue coming in during the 4<sup>th</sup> quarter. This will cause a \$600K loss in food services for the fiscal year (food services is funded through sales and sales-subsidies – not taxpayer dollars).
  - USDA has now approved to extend free reimbursable services to the community at large to December 31<sup>st</sup>.
- Review of COVID-19 related Expenditures
  - The Board made a lot of moves over the summer and Mr. Fink wanted to review costs due to the Pandemic. The Board had approved \$1.931MM in unbudgeted expenditures related to the pandemic, and Mr. Fink grouped the approved costs accordingly.
  - All grants totaling \$1.216MM
  - Unfunded amount of \$715K
  - Grants are in processing stage and money has not been released yet and most will be released by reimbursement
  - Mr. DiBello cautioned accounting for it without receipt of funds and may have to account for it elsewhere if the grant money does not come in until replenished and stated the operating surplus could be used here.
- Other Committee Business
  - Mr. Fink reviewed an assessment appeal settlement with the Raymour and Flanigan property in Limerick. Settling at \$3.25MM which was above our appraisal of \$3.00MM. This settlement

equates to approximately \$28K in tax payments annually at the current millage, and will be placing on the agenda for Monday night's meeting.

- Board Comment
  - Ms. Melton stated Mr. Fink's presentation was very helpful and informative.
  - Mr. DiBello stated it was in an easy to understand format.
  - Mr. Jackson stated he was not fond of the word "surplus" and feels we have a longer road in front of us. He cautioned not put that money into a certain spot yet due to uncertainties.
  - Mr. DiBello stated it should be called a net operating difference
  - Mr. Fink stated if we were in the private sector it would be classified as an extraordinary gain due to its "one-time/non-recurring" nature.
- Public Comment
  - Mr. Cromley questioned the substitute costs/savings for 2019/2020. Mr. Fink confirmed there were no substitute costs in the 4<sup>th</sup> quarter saving about \$600K since there were no absences due to Act 13
- Meeting adjourned at 7:28 pm