



Finance Committee Minutes

September 19, 2017

Board Chair— Mr. Neale Dougherty

Administrative Liaison—Mr. Andrew Lechman

Attendance—Please see the accompanying committee attendance sheet.

Mr. Dougherty called the meeting to order at 6:04pm.

The minutes of the June 14, 2017 meeting were approved.

Old Business

- No Old Business was discussed.

New Business

- MBIT Budget Overview/Process – Mrs. Kathryn Strouse, MBIT Administrative Director and Mr. Robert Vining, MBIT Business Manager joined the meeting to provide an overview of the MBIT budget process. MBIT puts together a budget which aims to align to the Act 1 restraints even though they are not constrained by Act 1. The biggest portion of the budget is salaries and benefits. Salaries are based on the median of the four sending districts. Similar to NHSD, MBIT is a member of the Bucks and Montgomery County Health Care Consortium. Budget is reviewed with the Executive Council which is made up of the Superintendents of the sending districts to request feedback. The budgeted district share of costs are based on a 3 year trailing average of Average Daily Membership (“ADM”). At the end of the year costs are reconciled to actual ADM’s and shared based on the ADM’s of the sending districts. Three primary funding sources for MBIT are Local (sending districts), State subsidy, Federal Perkins Plan.
 - Questions were asked and the following information was provided:
 - Enrollment 750
 - Teaching staff – 32 with a starting salary of \$46,000 and a maximum of \$110,000.
 - Administrative Staff - 6
 - MBIT does not have taxing authority so they are not governed by Act 1, but are still guided by it since they know districts are constrained by Act 1 for tax increases.
 - In the process to develop a long range facility plan – roof is an item that is currently being reviewed. First phase will be funded by bond refinancing as to not impact difference.

- Lease Rental costs are shared based on the STEB market value and NHSD is approximately 7% of the total.
 - General Fund Balance - \$20,000
 - Capital Reserve - \$450,000

Mrs. Strouse gave some highlights for the programs. Students scored 92% proficient or advanced on NOCTI exams, state benchmark is 86%. Students earned 1,812 industry certifications in the 2016-2017 year.

MBIT is controlling expenses through the following areas. Obtaining competitive quotes and bids in purchasing procedures to assure good prices. Insurance request for information to assure competitive pricing. Instructionally they apply for grants for program and equipment purchases. Programs can operate like a business and earnings go back into the programs.

- Campus Revitalization Project – Mr. Lechman provided an update on the final bond sale to fund the campus revitalization project. The district maintained an Aa1 bond rating from Moody’s for this last financing. This rating provided the opportunity for low borrowing interest rates. The final bond issues was \$6,600,000 for a total borrowing of \$28.5M. The overall yield of the issue was 2.77% which netted a \$612,000 savings to the estimates that Mr. Bamber presented at the June Finance Committee meeting.
- 2016-2017 Budget
 - Mr. Lechman provided an overview of the final results from the 2016-2017 fiscal year. Unaudited figures show that revenue trended \$765,000 or 2% better than budget. This was primarily driven by:
 - EIT (Earned Income Tax) - \$400,000
 - Transfer Tax - \$160,000
 - PlanCon - \$205,000
 Unaudited figures show that expenditures trended \$1.3M or 3.3% under budget. The drivers for these savings are many and are discussed in more detail in the fiscal dashboard included in the finance committee packet. Unaudited figures show a \$700,000 surplus for the year as compared to a \$1.4M budgeted deficit. While these are very positive results future projections are still showing expenditures significantly outpacing revenues.
 - Audit Update – Mr. Lechman confirmed that our annual financial audit began on Monday September 11. The onsite portion of the audit will continue through Friday September 22. The goal is for the final report to be issued in time to be presented at the November Finance committee meeting and to the full Board at the November Board meeting.
- 2017-2018 Budget
 - Mr. Lechman provided a brief overview of the current status of the 2017-2018 budget as compared to the same period in the prior year. Currently all revenues and expenses are trending normally. It was noted that EIT is

already \$150,000 less than prior year at the same time showing the unpredictability of this revenue stream. Mr. Lechman also noted that the decrease in the property tax collection percentage is only a timing issue. A large deposit was made at the beginning of September and last year this deposit was received right at the end of August.

- Mr. Lechman provided an update on the current status of the state budget. The spending bill became law on June 30, 2017 when Governor Wolf did not approve or veto, however the revenue package to support the spending bill is not finalized. There is currently about a \$2B gap between expenditures and revenues. The House recently passed the “Put People First Budget”. This plan includes no tax increases and no borrowing. It relies on \$630M in transfers from other special funds (one time sources) and \$1B from selling a portion of the state’s interest in the tobacco settlement dollars. Without a revenue package state spending will most likely freeze in September. Any spending freeze would have limited impact on NHSD because much of our revenue comes from the local tax base. Current cash on hand along with projected expenditures show us cash flow positive through May 31.
- Mr. Lechman confirmed that the Act 1 index for 2018-2019 is 2.4%.
 - Mr. Marcus made an observation that including the actual tax increases for 16-17 and 17-18 along with the projected tax increases for the next 3 years there will be a 16% tax increase over this 5 year period which can be challenging for the community. Challenged the committee to find a way to approve a budget with a 0% tax increase for 18-19. Mr. Dougherty noted that the large tax increases of the prior years might not have been necessary if tax increases of past years were more in line with needs to keep up with the significant rising PSERS costs and these last two years were one- time catch up increases.
 - Could there be more time spent on strategic initiatives including additional revenue opportunities.
- Mr. Lechman reviewed the proposed 2018-2019 budget timeline. The budget process has already begun with the creation of the budget documents and a first look of the preliminary budget will be reviewed at the November Finance committee meeting.

Public Comment

- Public comments were made throughout the meeting and are captured in the meeting minutes as appropriate.
- The following comments were made about non-agenda items:
 - Mrs. Steifl – What is the status of the contract negotiations? Mr. Dougherty responded that the contract ended on June 30, 2017 and we are currently in status quo and the process is ongoing.

Mr. Dougherty adjourned the meeting at 7:14pm.

Respectfully submitted,

Andrew Lechman
Business Administrator