

**Hempfield School District  
Finance Committee Agenda  
November 1, 2011, 4:30 pm**

**Attendance:** Board: Bob Sauders, Loren Good, Jim Maurer, Barbara Zimmerman, Charles Merris, Admin: Mary Lynne Kniley, Brenda Becker

**Discussion items:**

- **Review the 2010-11 preliminary audit results**
  - Mary Lynne presented a single page handout of preliminary results in major funds (no draft financial statements yet), and a handout to highlight the proposed transfers for consideration. Fund summary includes both operating fund transfers within the year and proposed year-end transfers pending approval.
  - Discussion of options:
    - Financial results would allow us to add about \$100,000 to fund balance
    - Discussion about rising retirement expenses:
      - Future implications of PSERS costs on budgets; we currently budget about \$46 million in eligible wages for the retirement system. The employer rate is 8.65% this year, that is projected to go to 12.19% for PSERS contributions for 2012-13
      - Translate to budgeted expense for retirement: budgeted at \$4 million for retirement expense this year (should get half of this from state subsidies), likely to go to about \$6 million for retirement expense for 2012-13, again a 50% subsidy from state
      - Will qualify for PSERS exception under Act 1, but that will result in a political discussion to determine whether to push these costs onto local taxpayers; these issues are why we have a retirement reserve, and advocate transferring more to that reserve (reference handout, transfer \$1,111,000 planned)
    - Transfer to Capital Reserve: Budget \$350,000 for capital reserve from General Fund; had previously approved moving Market Street funds to capital reserve, about \$78k. Noted that we used over \$1 million from Capital Reserve (net reduction in balance) with various expenses – modular units, purchase of house and land, flooring repairs, network technology
    - \$67,000 profit for Food Services, this is significant improvement from the past few years!
    - Hospitalization fund – allows us to look at hospitalization costs on a separate basis across all funds – medical costs did not go up as dramatically in 2010-11 – total increase about 6.5%, which is much lower than 13-14% historical average. How much is wellness program, new spousal rule, other structural changes responsible for the smaller increase in costs – hard to quantify? Will continue to monitor and analyze
    - Discussed OPEB liability under GASB 45; do not want to move money to trust because will tie our hands on ability to use money in a bind, but the liability does continue to grow. Recommend continued use of “committed” fund balance for this now, will continue to review in future years.
    - Other commitments of fund balance \$1 million debt service, \$500K for ERI costs
    - Consensus to recommend transfers and commitments of fund balance per handout (no changes made)

- **Update on variable rate financing**

- Due diligence call with Standard and Poor's, quite thorough process (almost an hour discussion)
  - Standard and Poor's tends to deal more with variable rate financing than Moody's, went directly to them for this bond rating
  - They wondered if we had specific board policy on variable rate debt; don't have this yet, but will look to develop.
- Update on status and timing
  - DCED can impact timing of moving forward, but still expect this to move along as expected for a final vote to approve resolution in November, close on December 14
- Financing update from PFM – long-term strategy
  - Further discussion today with PFM, they have provided two scenarios for financing options, and we can discuss other alternatives as well as we plan for next round of financing. Reduced millage impact based on current options.
  - Requested to update the handout that shows use of Debt Service Reserve to pay higher years of debt service and minimize millage impact

- **Revenue Budget planning for 2012-13**

- Mary Lynne reviewed a detailed handout regarding revenue trends for 2012-13
  - Have not looked at any increase in millage for now; when we do, Act 1 Index is a 2% increase cap without exceptions; should qualify for retirement, possibly special ed exceptions
  - Assessment reductions have been incorporated in these projections. Note that Homestead Village was not successful in getting their assessment reduced from the first assessment appeal round, anticipate further appeal. Several other commercial properties were reduced. Overall impact is about \$263 k of lost tax revenue from 2011 assessment reductions for 2012 tax levy (partial offset by new properties assessments coming into calc)
  - Overall Revenue budget would increase from about \$97 million to about \$98 million; primary difference is increase in retirement subsidy, little other growth/some decline
  - Next steps in budget process would mean first look at expenditure on trend basis in December, but reorganization/new members coming on. Proposal made by board members to start preliminary budget process now, plan to apply for exceptions – board has proven track record of doing this to keep options on the table, but adopt a millage at or under Index the past few years. MLK will prepare resolution for November action, preliminary budget process as prescribed by PDE.

- **Future meeting dates** (meetings scheduled at 4:30pm in board conference room unless otherwise noted):

- December 6, 2011 (will review timing/needs for this meeting)
- February 7, 2012
- March 6, 2012
- April 24, 2012
- June 5, 2012