

# **SALISBURY TOWNSHIP SCHOOL DISTRICT**

## **Operations Subcommittee Meeting Administration Building, Wednesday, December 4, 2013**

**Committee Members Present:** Mr. Frankenfield, Chair

**Other Board Members Present:** Mr. Fischer, Mrs. Frick, Mr. Gatanis,  
Mr. Giordano, Mr. Mantz, Dr. Spedaliere, Mrs. Ziegler

**Administrators Present:** Mr. Brackett, Mr. Bruchak, Mrs. Nickischer, Mr. Roth, Dr. Ziegenfuss  
Mrs. Fuini-Hetten, Mr. Smith

### **I. Call to Order**

The meeting was called to order by Mr. Frankenfield at 7:15 p.m.

### **II. High School Gym Floor**

Mr. Brackett stated that there was a section of the old gym that has been raised due to moisture. This section of flooring was previously repaired during the high school project but there is still a moisture issue. Testing was done to check the moisture rate. It doesn't appear to be ground water that is causing the moisture problem. The concrete was eroding away where the floor meets the wall. A fill of expanding foam was applied to stop a flow of air in this area and a new moisture barrier will be installed under the new flooring and up four inches of the wall. Mr. Brackett has obtained a quote from Miller Flooring at a cost of \$8,000 to finish the floor.

### **III. Options for Safe School Grant**

Mr. Brackett stated that he has been working with Officer Don Sabo, Salisbury Police Department, in applying for grants to install more cameras at Harry S Truman, upgrade the camera system and DVR system at the middle school.

Mr. Brackett introduced a security system similar to those used at some other school. The two systems that Mr. Brackett had researched are called School Gate Guardian and Raptor. This security program would be used in admitting visitors to the district buildings. By swiping a driver's license through the unit, a visitor's background can be checked and a decision made as to whether or not this visitor may enter the part of the building that the students occupy. This unit would also be helpful in identifying visitors that are in the building in case of an emergency. Internal parameters of this unit can be controlled and monitored. It could also assist in residency checks. The cost of the program is approximately \$10,000. Additional research will still need to be done. If the board would decide to install this system, a policy and guidelines would have to be put in place. The system does allow background checks to be limited or can be expanded depending on the decision of the board and administration. The feedback by most schools that are using this type of system has been positive.

**III. Options for Safe School Grant (continued)**

The grant application has to be turned in on December 6<sup>th</sup>. If the board agrees to add this type of system to the grant and later decide not to install this, it will be removed from the awarded funds. The maximum amount of this federal grant is \$25,000.

The board agreed to proceed with applying for grant money for the security system, to upgrade the camera and DVR system at the middle school, and add cameras at Harry S Truman.

**IV. Limited Service Provider Contract with Apple**

Mr. Roth stated that Dr. Ziegenfuss and Mr. Smith are present to answer questions on an agreement that will be presented for review and approval at the December board meeting.

The district currently takes care of the repairs of all Apple laptops by our in-house Apple Certified technicians which in turn saves the district money. The district is always looking for ways to increase revenue streams and this has become difficult in today's economy. The district can seek approval from Apple, Inc. to be a limited service provider which means that the district could provide Apple repairs to other school districts on their technology while getting paid to do so.

The administration has met with the Apple, Inc. representatives and completed the application to be a limited service provider. The district's solicitor has reviewed the contract and has made a few recommendations of changes to the contract. This would create a new revenue source for the district.

Salisbury would be able to charge a cheaper rate than Apple, Inc. to other school district for repairs while still making a profit. The resources of staff have been reviewed as well as the ability of the number of machines that can be services.

Salisbury is part of a one-to-one consortium that meets regularly and there are some districts that have expressed interest in our services. There are 5 districts interested in our services but we would not be taking on the work of all districts at one time. No inventory of parts within the district is required by Apple, Inc.

The approval to enter into the agreement with Apple, Inc. to be a limited service provider is the first part. The second phase is to work with the solicitor and insurance company to make sure that all legalities are met. Phase three would be to start some of the repairs from the other district.

There are only in-direct start-up costs to the district to start this program. This program will not impact the service that is currently provided to our students or staff. More details will be given at upcoming meetings on the other phases.

**V. Assignment of Fund Balance**

Mr. Bruchak presented the board with two options for the assignment of the 2013-2014 fund balance. At the end of 2012-213, the fund balance has grown by \$179,459. The current fund balance is \$5,074,126. A district cannot have an unassigned fund balance of more than 8%. There are two parts of the assigned fund balance that are driven by outside sources. One is the assignment of \$262,506 of the fund balance to balance this year's budget. The other one is \$218,764 for OPEB liability. The other two areas are at the district's discretion. The district currently has \$475,000 in PSERS stabilization from previous assignments. In the 2013-2014 budget there is 16.93% of salaries going to PSERS and it is expected that will go up to 21.4% next year. Capital Project is another area that the amount can be changed depending on the district's needs. The funds that are transferred into Capital Reserve cannot later be transferred out to the general fund. This option has \$448,000 assigned to Capital Projects. The total assigned would be \$2,551,199 and the total unassigned would be \$2,522,930; for a total fund balance of \$5,074,129. The total unassigned is 8% of the 2013-2014 budget of \$31,548,872.

The other option puts \$348,000 in Capital Projects and \$575,000 in PSERS Stabilization while not changing the other areas.

Option B of the fund balance will be on the December board agenda for formal board approval.

**VI. Audit Summary**

Mr. Bruchak stated that the audit is not completed yet. Total revenues came in at \$30,495,229. This is \$185,923 over budget. The tax revenue on real estate was \$20,570,391 which was \$56,903 over the budgeted number. Earned income tax was \$1,769,000 which was \$119,000 over budget.

The expenditure came in at \$30,315,770 which is \$276,000 under budget. There was no need for the district to utilize the contingency funds of \$150,000. There seems to be a rising cost in special education which exceeded the budget by \$150,000. This amount was mitigated by the \$150,000 in state revenue that the district received for special education. A budget meeting is set up with to review special education budget. Expenses are up due to the number of children and their needs. The Operations/Building and Maintenance was under budget by \$71,000. This budget does not include capital projects. Because of the savings, there was a \$179,459 increase in fund balance.

The Charter school budget was over budget by \$125,000 for regular education and \$61,000 for special education. Non-public transportation was under budget by \$40,000; overall transportation was \$19,000 under budget.

The audit will be completed the end of January.

## **VII. 2014-15 Budget Update**

Mr. Bruchak stated that the current millage is 16.9203. 2.1% millage increase under Act 1 is 0.3553. The total allowable millage is 17.2756. The value of a mill is 1,278,904. The allowable increase in real estate tax revenue is \$454,395. The special education exception is \$457,625. The PSERS exception is \$379,447. The exception millage increase is 0.6545. The total allowable millage increase with exceptions is 1.0098. The total allowable millage with exceptions is 17.9301. The total allowable real estate revenue with exceptions is \$1,291,467. The assessed value is \$1,332,198,200. The debt savings due to bond refunding is \$431,812. The healthcare projected increase is 15% which amounts to \$325,988. The PSERS projected rate is 21.40% which amounts to a \$775,173 increase. The district net PSERS share is \$387,586. The salary increase is \$401,575.

It was suggested that an additional budget meeting be scheduled in January. There are some things in the past where curriculum discussion that could impact the preliminary budget.

## **VIII. GASB No. 67 and No. 68**

GASB Statement 67 is the Accounting and Financial Reporting for Pension Plans and GASB Statement 68 is the Accounting and Financial Reporting for Pensions.

The following amounts for the defined benefit pension plan are required to be determined as of a date no earlier than the end of the employer's prior fiscal year: Net pension liability, pension expense, and pension deferred outflows of resources and deferred inflows or resources. Employers participating in cost-sharing, multiple-employer plans recognize their proportionate share of the collective amounts for the plan as a whole effective for fiscal years beginning after June 15, 2014. Most Pennsylvania schools will implement this for the July 1, 2014 to June 30, 2015 fiscal year.

Effective for fiscal years beginning after June 15, 2013: PSERS will implement for July 1, 2013 to June 30, 2014. There is no impact on pension funding methodology used to establish PSERS' annual employer annual contribution rate. The estimated pension liability for our district is \$40,023,966. This amount is three times of our payroll of \$13,341,322. The state says that since this is a liability it should be reported on our annual statement.

Mr. Bruchak presented a chart that showed the effect of GASB 68 on our financial reports. Without GASB68 our total assets are \$60,025,759 and current liabilities are \$4,315,603. The accrued salaries and benefits are \$1,067,964, other liabilities are \$218,764, and bond and notes payable are \$37,628,713 for a total noncurrent liability of \$38,915,441 and total liabilities of \$43,231,044 and a total net asset of \$16,794,715. With the GASB68 the change that would be included is a net pension liability of \$40,023,966. This would increase our noncurrent liabilities to \$78,939,407 and total liabilities to \$83,255,010 for a total net asset of (\$23,229,251). The

**VIII. GASB No. 67 and No. 68 (continued)**

state is not showing part of this liability therefore the district will need to show all of it on our financial statements. This district will look bankrupt on the financial records.

Fitch downgraded PA General Obligation Bonds primarily over pension liabilities “Unfunded pension obligations now represent the dominant share of the state’s long-term liabilities.

The district could get downgraded as a result of this new financial reporting. If the district is downgraded, future borrowings could become more expensive.

The board would like Mr. Shearer from Public Financial Management to attend an upcoming Operations meeting regarding future borrowing and what GASB would mean to our borrowing.

**IX. Other**

None

**X. Citizens’ comments**

Mrs. Gibbs commented that GASB will be the same for all district’s that are interested in doing borrowing. She commented that the board should look at not raising taxes. The taxes in Salisbury are high and causing difficulties for resident who want to sell their homes. She stated that she was on the board for 8 years and it needs to be remembered that it is not all about the school but also the residents in the community.

Mr. Giordano stated that the district is currently 4 or 5 out of the 9 districts in Lehigh County in millage. The district is still competitive in Lehigh County with the millage rate. He invites the realtors to come into our schools and see the incredible things that are being done and are being offered.

Mr. Roth stated that we need people to actively engage with the state legislators and governor. The state could have raised a significant amount of revenue by going after the corporate entities. The state continues to implement requirements and regulations on school districts which are unbelievable in terms are unfunded mandates. One of the unfunded mandates is Charter Schools which costs the district \$12,000 to \$25,000 per child. If all charter school students returned to Salisbury, last year’s budget would not have required any tax increase. Get state legislators to vote “No” to SB1085.

**XI. Next meeting**

The next meeting will be a held on January 6, 2014.

**XII. Adjournment**

Mr. Frankenfield adjourned the meeting at 9:40 p.m.

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Robert P. Bruchak  
Business Administrator/Board Secretary