

**Northwestern Lehigh School District
6493 Rte. 309, New Tripoli PA 18066
BOARD FINANCE COMMITTEE MEETING
District Board Room
Wednesday, June 3, 2015, 7:30 PM**



MINUTES

1. Agenda

1.01 Call to Order

The meeting was called to order at 7:39 PM by Willard Dellicker.

1.02 Roll Call

PR/AB

PR	Willard Dellicker	PR	Ronald Morrison	PR	LeRoy Sorensen
PR	Paul Fisher	PR	Joseph Reiter	AB	Darryl Schafer
PR	Todd Hernandez	AB	Greg Sanders	PR	Phil Toll

Also Present:

Rob Thompson, Jennifer Holman, Leslie Frisbie, Luann Matika, Jason Zimmerman, Mary Anne Wright and Janine Partenio

1.03 Approval of Agenda

W. Dellicker proposed the change to move up item 4.01 to after the approval of the minutes.

Moved: P. Fisher

Seconded: P. Toll

Vote: 7 Aye, 0 Nay

1.04 Public Comment

The Chairman offered Courtesy of the Floor for Public Comment and there was none at the time.

1.05 Approval of Minutes for May 6, 2015

As stated.

Moved: P. Fisher

Seconded: J. Reiter

Vote: 7 Aye, 0 Nay

2. Routine Items

2.01 Reports

1. Budget Report
2. Revenues Report
3. Treasurer's Report
 - Fund 10 General Fund
 - Fund 22 Capital Reserve Fund
 - Fund 31 2009 Note
 - Fund 33 2008A General Obligations Bond (GOB)
 - Fund 50 Food Service Fund
4. EIT Report
5. Activity Fund Report
6. Comparison of Prior Year to Current Year Budget to Actual Expenditures by Object Report

L. Frisbie explained the reports were all standard. She stated that the EIT swung in the other direction and is 6.24% ahead from last year. She said all payroll and purchases were standard and notified the Board of the \$5,000 donation to the Recreation Commission which is a standard annual contribution.

3. Discussion
Items for Board
Action

3.01 2015-16 Final Budget Presentation for anticipated board approval on June 17, 2015.

L. Frisbie explained the estimated Fund Balance as of June 30, 2015 was revised and added to the agenda on Monday, June 1, 2015.

L. Frisbie updated the board on some highlighted changes to the Final Budget. She stated everything reflects numbers as of Friday; however, based on revisions with new numbers from Key Risk for the new Workers Compensation policy, the revised shortfall built in to the budget for June 17th is now \$3.9M. There were no changes to the total

Building and Department numbers from May 13th; however, there were district-wide changes to salaries and benefits and a decrease in total revenues. She said the May 13th Budget had an estimated shortfall of just under \$4M. The June budget is showing an estimated shortfall of just over \$4M; however, the savings from the new Workers' Compensation Policy will bring that estimated shortfall back to around \$3.9M.

P. Fisher mentioned the majority of the funds from that estimated shortfall are for the Energy Savings Project which is going to be paid out of fund balance by the District. He explained that if the funds for that project were removed from the total, the remaining total is actually comparable to the planned budget which was implemented for the previous year. L. Frisbie agreed and said the \$2.8M is purposefully being transferred out of fund balance for the Energy Savings Project in the High School. The remaining shortfall is about \$1.17M which then mirrors last year's budget.

J. Reiter asked if this is considered a balanced budget. L. Frisbie said that it is with the use of Fund Balance and the State requires Districts to have a balanced budget by June 30th. J. Reiter asked if the District had a balanced budget in the last three years. L. Frisbie said yes. She explained there was a budget shortfall in the past few years which was balanced by the use of fund balance. Usually, by the end of the year there was a surplus. L. Sorensen asked if that is considered deficit spending. L. Frisbie said no, that would be if the District overspends on items not budgeted for. She said the District has not done that for as long as she has been at the District.

L. Frisbie explained the changes in revenues from May 13th were due to changes in the assessment base on buildings D & B which came on line lower than anticipated. The current Real Estate taxes had been decreased to reflect that change. On the flip side, she said the District collected a one time interim of \$20,000 since the building came on line two months earlier. She also said the District received a \$5,000 allocation from the State for property tax reduction.

P. Fisher asked about retirements and new hires and why there is not a decrease in benefits. L. Frisbie explained that the figures reflect the changes made from May 13th and said the staffing plans have not been completed yet. She said at the May 13th budget presentation there was an amount earmarked for additional positions which may have been needed. She explained this budget reflects a reduction of one full position and a change to contract percentage. On the benefits side, L. Frisbie said typically for teachers there are contracted benefits for healthcare and retirees may still be eligible for contracted benefits, therefore benefits are still budgeted for retirees. She said this is why you do not see such a drastic change in the benefits line item. Dr. Wright added that family coverage was built into the budget for any new hires. L. Frisbie added it is not until they actually select a plan that the District knows what the final cost (or savings) will be.

R. Morrison asked Dr. Wright to reconsider the staffing plan on moving a special education teacher from Weisenberg Elementary to Northwestern Elementary. Dr. Wright replied that she believes there is a staffing plan to address the needs of the students, should the students increase there and the plan needs readjustment then she will bring back a recommendation to the Board for the hiring of an additional teacher. She explained there are around 22 Special Education students in Weisenberg and around 44 Special Education students at NWE. This leaves a roster of about 10 students per teacher. J. Reiter said the plan seems to make sense and agrees with Dr. Wright.

L. Frisbie discussed a new slide added this afternoon which addressed the insurance renewal and the change in Workers Compensation policies. She mentioned the final budget includes the \$294,000 premium which is an \$82,000 increase over the 14-15 budget amount. She said based on the proposal given by R. Thompson this evening the recommendation would be to accept the Key Risk Proposal or equivalent and reduce the budget by \$116,000 for approval on June 17th.

L. Frisbie explained how Homestead/Farmstead notifications are typically received from the State in early May; however, it was not received prior to the May 13th meeting. The formal resolution is based on the allocation which is given by the State and then an assessed value reduction is calculated for eligible tax payers' bills. She said the assessed value reduction amount for the 2015/16 school year came to \$153.33 for

homestead and \$3.93 for farmstead. L. Frisbie explained that the amounts change year to year based on available allocations from the state and how many eligible tax payers there are. She alerted the Board that tax payers may notice differences in their tax amounts even though there are not millage increases implemented by the District because of this.

L. Frisbie reviewed the revised shortfall amount for June 17th which reduced the PSERS Stabilization fund by \$71,374. She recapped the 2015-16 final budget explaining total revenues in the amount of \$39,599,749; total expenditures in the amount of \$43,511,123. This leaves a shortfall around \$3.9M. She added when removing \$2.85 for the Energy Savings Project this leaves a revised shortfall of just over \$1M. She explained this budget includes a 0 tax millage increase and includes the use of fund balance to fund the estimated shortfall.

L. Frisbie reviewed with the Board some action items which will be seen at the June 17, 2015 Board meeting in conjunction with the Final Board approval. Dr. Wright thanked L. Frisbie for being able to crunch numbers with last minute information in order to get all figures as up to date as possible for the Board to review. L. Frisbie said to the Board that she will send updated documentation to them when all numbers are finalized, prior to the June 17, 2015 regular Board Meeting.

3.02 Approval of 2015-2016 Homestead/Farmstead Resolution.

L. Frisbie explained that this will allow State allocated gaming funds to assist in an assessed value reduction on property tax bills. The resolution must be approved by the Board. All members were in agreement for this item.

3.03 2014-2015 Capital Reserve Transfers

L. Frisbie explained to the Board about the Planned Capital Reserve transfer of \$328,000 budgeted in 2014-15 from bond refinancing savings. She also mentioned that there was an anticipated additional transfer of \$166,924 to Capital Reserve to pay for buses that were purchased from 2014-15 budget funds; however, the buses were delivered today and that transfer is not needed.

3.04 June 30, 2015 Fund Balance Resolution

L. Frisbie explained this is a resolution to establish Committed Fund Balance categories as of June 30, 2015. She said it will be brought to the Board at the June 17, 2015 Board Meeting for approval and will bring any associated unused fund balance back to the Board in the Fall.

3.05 Approval to utilize Committed Fund Balance for the 2015-2016 Budget.

R. Morrison asked for the statement showing what will be left in each fund. L. Frisbie explained that she presented that document on May 13, 2015 at the regular Board Meeting. Dr. Wright said that all of the numbers are estimates until it is actually complete. The Board agreed to wait for an additional statement until all figures are finalized.

3.06 Approval for the Business Office to perform a check run on/around June 30, 2015 to close out the 2014-15 fiscal year's outstanding invoices.

L. Frisbie explained that a special check run will need to be made in order to close out the fiscal year. The run will be done around June 30th and will encompass June 17 – June 30, 2015 payments. The Board was in agreement.

3.07 Agreement with K12 Systems, Inc for Sapphire Software subscription and support services for the 2015-2016 school year in the amount of \$49,249.

J. Holman explained the District is coming off of a Multi-year contract with Sapphire. She asked for a one year contract due to the inability to negotiate. J. Holman stated that the District does not plan to renew the Assessment Tracker since it did not function as they originally thought. Consensus was in agreement for this item.

3.08 Agreement with Northern Lehigh School District for education of student in Life Skills classroom for 2015-2016 school year.

L. Frisbie said this was being worked on prior to Dr. Scott's departure. She said there was nothing unusual or unique about the agreement. She explained that it will be brought to the June Board Meeting for approval.

A brief Executive Session was held during this item from 9:18 pm-9:29 pm

3.09 Agreement with KRE Security / Investigations Inc, Hamburg PA, for security services for the 2015-2016 and 2016-2017 school years.

J. Zimmerman explained to the Board the revised Security Agreement and Analysis were just added to the agenda that day. He said this agreement is to supplement the Constables since they are understaffed.

P. Toll asked about the security company covering their own \$5M insurance policy. J. Zimmerman said he asked for the \$5M policy and they were only able to get a \$1M unarmed policy. The insurance company was not willing to go to a higher rate for "armed". P. Toll said the District should not bear the cost and the Security Company should add an additional \$1M. L. Frisbie said the insurance companies are not willing and/or able to provide this type of coverage. J. Zimmerman mentioned security companies are having a difficult time finding adequate insurance for School Districts.

3.10 Approval of the agreements for the following four constables to act as security for the School District: Barry Betz, Robert Yeager, Salvatore Lizzio, and Lester Klock at a rate of \$18.00 / hour.

J. Zimmerman briefly explained the need for the Constables to act as security for the District during school hours and some extracurricular activities. The Board agreed.

4. Informational Updates

4.01 Rob Thompson, EHD presented the District's insurance renewal for 2015-16.

L. Frisbie explained to the Board that she had issued Broker of Record letters and EHD started the insurance renewal process. She explained that R. Thompson was hopeful to meet the July 1, 2015 deadline. She said information was presented regarding Workers Compensation and a significant increase had been noted. She said as of Friday the complete figures were not available yet and she was trying to be conservative with the figures utilized in the Budget documentation. She said this item is to be approved at the June 17, 2015 Board meeting along with the Budget approval.

L. Frisbie introduced R. Thompson from EHD to the Board. R. Thompson thanked the Board and began to explain the Renewal Summary as well as some basic information about EHD. He said EHD is a private firm which was founded in 1896 in Lancaster, PA. He said EHD has four office locations in PA with over 100 insurance professionals who primarily service the state of Pennsylvania. Their offices offer in-house risk control and claim tech services. He mentioned EHD manages over \$250M in client premiums and is a partner in Assurex Global.

R. Thompson explained that EHD is committed to working with their clients by reducing total business costs. He said when dealing with risk management and claims management many times the indirect costs involved are actually much larger than the premiums. EHD is committed to reduce these costs by working with the District on risk and claims management.

R. Thompson said EHD retains around 97% of their commercial clients each year and manages the programs for every public school entity in Monroe and Pike Counties. EHD also services many schools in Carbon, Berks and Montgomery Counties. He believes that EHD has very good experience with school districts located in rural areas and feels EHD would be the best fit for Northwestern Lehigh School District because of this.

R. Thompson enlightened the Board that the Commercial P+C Insurance market for public schools is extremely limited and there are currently only three providers in Pennsylvania which offer package and auto programs to over 99% of Pennsylvania's public schools. He stated that Workers' Comp, School Board Legal, Excess Coverage and Student Accident Coverage have only one other program available for a reasonable price. Rate increases have averaged around 5-10% for Pennsylvania public schools.

R. Thompson explained the marketing summary. Workers Compensation is the largest portion of the premium. He said the PSBA Program took a significant price increase. He said he is awaiting pending premium quotes from Highmark and UPMC. As of right now the least expensive premium is held with Key Risk at \$177,744. The Package, Auto,

and Excess Liability Program is limited to PSBA as the carrier at a premium of \$158,314. He said the three other carriers are unable to compete favorably for this umbrella package. R. Thompson explained School Leaders Legal Liability is covered under PSBA's premium at \$15,474. He also said the Student/Sports Accident Program is with AG Administrators under a PSBA Program at \$27,000.

R. Thompson reviewed the premium comparison from last year and noted a significant decrease in Workers Compensation as well as decreases in Automobile, Excess Liability, and Law Enforcement Liability, saving the District almost \$43,000 in premiums from last year's costs. AIG required the PSBA to cover properties at 100%. The key cost driver of the increase is in the extra property insurance which is purchased. R. Thompson also explained the significant increase in Workers Comp premium with PSBA was due to the underwriting formula which was previously being used for the District based on the last five years of losses at Northwestern Lehigh. He offered, to the Board, an alternate carrier and explained that EHD's Claims Control will be completely involved with the District's losses due to Workers Compensation claims.

R. Thompson reviewed additional coverages as well as some changes from the PSBA program. He said the District's property is now insured to 100% of its value compared to 90% which was done previously. An Earthquake policy of \$100M was added and the Sewer and Drain back-up policy covers up to full property values. He explained the Umbrella (Excess Liability) package tripled excess limits to \$30M. A Forgery/Fraud policy covers up to \$1M in damage. He said there is a Builder's Risk policy built in which covers up to \$1M and Law Enforcement Liability with excess limits extending to a total of \$11M.

R. Thompson gave recommendations to the Board for Risk Management. He endorsed Safety Committee presence and safety training at the District. He explained that this has shown improvement in other districts by helping employees understand how unsafe behaviors impact the District. He also explained that EHD's claims department will be involved on all lost time claims in order to bring employees back to work as quickly as possible. R. Thompson recommended a Cyber/Privacy Liability policy to the Board. He said this covers the District's financial exposure to third party litigation and first party notification expenses since cyber/privacy breaches are becoming more and more common. He continued to say this policy will also fully cover any prior acts and can be implemented at a premium of about \$14,000. He mentioned the benefit to having this policy is that most clients do not have the PR firms in-house to deal with these breaches.

L. Frisbie explained to the Board that the Cyber Insurance Policy is not something that had been utilized previously; however, she believes it is something that the Board should look into and determine whether or not they should move forward with this policy.

P. Fisher asked if it is correct that the Cyber Insurance has a \$10,000 deductible through PSBA and underwritten by ACE for the \$1M coverage. R. Thompson said yes. L. Sorensen said he can understand the value for Cyber Insurance for the medical field but was wondering where the value would be for school districts. R. Thompson replied the District holds personal information for employees or information through food service. This would consist of social security numbers, addresses, bank account information, etc. L. Frisbie explained that there is still some liability to the District even when third party vendors are involved. W. Dellicker asked if this could be covered under the Excess Liability plan. R. Thompson explained that the umbrella policy is not designed to cover those types of breaches in that manner. L. Frisbie said she had already built-in some funding to the Budget should the Board desire to implement this cyber policy.

P. Toll asked why Key Risk's Workers Compensation premium was so low compared to PSBA. R. Thompson explained that Key Risk utilizes a different underwriting formula. P. Toll then questioned the Law Enforcement Liability process. R. Thompson mentioned he would like to be involved in the contracting procedure in order to transfer as much risk as possible.

P. Fisher asked when dealing with Workers Compensation, how often EHD would get

quotes outside of the locked-in PSBA quotes. R. Thompson replied "as often as you want us to". Dr. Wright explained to the Board how a policy is currently being derived in order to transition employees on Workers Compensation back to work. She said this formalized policy/procedure should be arriving at the Policy Committee in August.

R. Morrison asked if R. Thompson is on a commission percentage or on a broker fee basis. R. Thompson said it is a commission percentage at around 9% which is in the proposal. This is a standard fee for which all brokers receive the same rate. Consensus was in agreement with the EHD renewal to include the Cyber/Privacy Liability Policy.

4.02 Update on Property Tax Rebate Referendum Question

J. Reiter feels that the Property Tax Rebate Program implemented by school districts has never been challenged and would like to bring information about the Uniformity Clause to the Solicitor for review. P. Fisher asked to bring the approval to proceed with the Property Tax Rebate to the June 17, 2015 Board Meeting for a vote in order to get a consensus on whether or not the Board would like to proceed with researching this item.

5. Other

5.01 Old Business

None

5.02 New Business

Dr. Wright stated that several months ago the Foundation explained how a grant was available through ESSA Bank which will donate funds toward the community. Dr. Wright believes the grant would apply to the replacement of the rubber floor in the Middle School Gym, to a hardwood floor. She explained how the Middle School gym has been used over 100 times by NYAA or other organizations. Therefore, she believes this repair would qualify as a benefit to the community.

5.03 Public Comment

The Chairman offered Courtesy of the Floor for Public Comment and there was none at the time.

6. Adjournment

Upon motion by J. Reiter, Seconded by P. Toll, the meeting was adjourned at 9:53 PM.

Respectfully submitted,
Janine Partenio, Recording Secretary