

MIDDLETOWN AREA SCHOOL DISTRICT
Finance Committee Meeting
March 8, 2016 - 8:06 p.m.
MINUTES

Members in attendance: Newton Davis, Terry Gilman and Christopher Lupp

Members not in attendance: None

Non-Voting Members in attendance: Mike Corradi, Linda Mehaffie and Jennifer Scott

Staff/Public in attendance: David Franklin, Lori Suski and Heidi Zula, District Administrators; Vicki Alfieri and Kristin Parker, Conrad Siegel Representatives; Bruce Hamer, Interested Citizen

Opportunity for Public Comment No one addressed the committee at this time.

Insurance **Discussion Item – Health Insurance for 2016-2017:** Mr. Franklin introduced Vicki Alfieri and Kristin Parker and said that they were representing Conrad Siegel to present follow-up information to the discussion at the Finance Committee meeting in February regarding health insurance for 2016-2017. Mrs. Alfieri said that the first few pages of the attachment to the agenda provide look-back information on whether self-funding may have been advantageous for the District in the past. Mrs. Alfieri said that the goal for the meeting tonight would be to determine if the District wants to pursue self-funding health insurance for 2016-2017. Mrs. Parker reviewed the 18-month look-back information in detail, providing explanations of what the various terms mean that are referenced on the page. The look-back information showed that the District may have been able to save \$145,000 if it self-funded health insurance during the period from 7/1/14 – 12/31/15. Mrs. Parker noted that fully insured plans must pay a Health Insurers Tax (HIT) that is not paid by a self-funded plan and that the savings are almost fully based upon the amount of this tax. The look-back for a three-year period also showed savings to be self-funded, but a large portion of the savings were again related to the HIT tax. Mrs. Parker summarized that the look-back information shows that the District did not forego significant savings by using a fully-insured product. Mrs. Parker then reviewed information that compared the renewal received from Capital Blue Cross with a self-funded projection. Mrs. Parker said that it showed potential savings of \$64,000. Mrs. Parker said that this isn't an exact comparison because actual claims costs are not known. Mrs. Parker said that a 9% trend was used, but actual claim dollars cannot be pinpointed in advance and that the total cost for self-funding can significantly change if claims vary either up or down. Mrs. Parker said that self-funding will allow avoidance of the HIT tax, some state taxes and administrative costs. Mrs. Parker presented information on how the variation in the trend percentage would affect whether there was an advantage or disadvantage associated with self-funding - \$181,000 in savings with a 6% trend to \$317,000 in higher costs with a 15% trend. Mrs. Parker said that the renewal received from Capital Blue Cross has a 15% increase and that is deemed to be fair based upon the District's experience. Mrs. Alfieri said that Capital was asked to reduce the renewal, but they will not budge from the 15% increase because of the claims that they are seeing in the District. Mr. Corradi asked what an average renewal increase should be. Mrs. Parker said that trends are 8% - 11% right now and that would generally be the range for an average increase. Mrs.

Parker reviewed three proposals for the District to self-fund health insurance on its own – two from Capital Blue Cross and one from Highmark Blue Shield. Mrs. Parker explained that two of the proposals included a business decision to laser one of the individuals on the District’s plan meaning that there have been significant costs incurred for that person for a number of years so the District would not receive the benefit of stop loss coverage for this individual. Mrs. Parker stated that stop loss information is only illustrative at this point as carriers won’t provide exact costs more than 45 days prior to the effective date of the plan. Mrs. Parker noted that the page shows that it does not look to be a good idea for the District to self-fund on its own. Mrs. Parker then reviewed information on two other options for self-funding health insurance – Lancaster Lebanon Public Schools Employees’ Health Care Cooperative (EHCC) and the PA Trust. Mrs. Parker said that most school districts that self-fund health insurance are in some form of trust or cooperative because it allows for lower fixed costs. Mrs. Parker said that the stop loss costs are significantly cheaper because they are not just based upon our own risk. Mrs. Parker noted that both options allowed the District to continue with Capital Blue Cross and this allows the terminal liability to continue to be spread out over the four-year period as previously offered. Mrs. Parker explained that the PA Trust is a large group of trusts and the District would need to form a trust to become part of that group. Mrs. Parker said that the EHCC would need to approve entry of the District into their group. Mrs. Alfieri said that a decision on one of those two options does not need to be made tonight as additional information could be gathered to determine which would better suit the District. Mrs. Mehaffie said that she was concerned that the timing was not right to move to self-funding. Mrs. Mehaffie noted that the state budget has not passed for 2015-2016 and the state of the 2016-2017 budget is unknown. Mrs. Mehaffie also said that she wondered whether the presidential election this year could change health insurance if action was attempted to repeal the Patient Protection and Affordable Care Act. Mrs. Mehaffie also said that information she has gathered would indicate that a 15% renewal is not a bad renewal. Mrs. Mehaffie also asked whether there would be additional staff needed to process claims and wondered what additional cost that might create. Mr. Franklin said that no additional staff would be needed as we would only need to pay the claims and that Capital Blue Cross would continue to administer the claims as part of the proposals presented. Mr. Corradi asked whether the District has any idea about the nature of the high claims in the District. Mrs. Alfieri said that there are a number of cancer claims. Mr. Corradi asked whether it was possible to target any wellness initiatives toward the high claims. Mr. Franklin said that the District hopes that the results of the Health Risk Assessments that professional staff are voluntarily taking will help to provide information on what wellness initiatives would be most beneficial. Mrs. Parker noted that there is also information that shows that in the first year of self-funding there are additional savings available because claims might lag by approximately one month. Mrs. Mehaffie said that she did not believe the District was financially stable enough to take on the risk of self-funding and believed that we should wait until the presidential election is over and the state budgets are passed. Mrs. Alfieri said that she understood the comment about timing and said that what we should consider is that at some point it may be beneficial to consider self-funding as there are savings available. Mr. Corradi asked whether a decision could be made later in the year if the budgets pass. Mrs. Parker said that trusts

may not allow entry outside of their normal fiscal year so that could be difficult. The committee generally agreed with Mrs. Mehaffie and did not believe that the District should consider self-funding for 2016-2017.

Contracts

Discussion Item / Action Item – GASB 45/75 Valuation Transition: Mr. Franklin reviewed the need to transition from Governmental Accounting Standards Board (GASB) Statement No. 45 to Statement No. 75 for the accounting of other post-employment benefits (OPEB). Mr. Franklin said that under GASB 45 the unfunded actuarial accrued liability is amortized and this is not allowed under GASB 75. Mr. Franklin used the most recent valuation report to show that the liability that would appear on the financial statements would change from approximately \$550,000 under GASB 45 to \$5.1 million under GASB 75. Mr. Franklin said that the transition must occur for the 2017-2018 school year, but the next valuation that will be done for OPEB benefits will cover both the 2016-2017 and 2017-2018 school years. Mr. Franklin said that the District could choose to early-implement GASB 75 or have two valuations conducted, which would mean a cost of approximately \$6,500 for each valuation. Mr. Franklin said that initially he thought we would want to defer increasing the liability on the financial statements until when GASB 75 had to be used, but when he consulted with Boyer & Ritter (District auditors) they suggested that early-implementation would not be a problem if it resulted in cost savings for the District. Accordingly, the committee recommended that a motion be placed on the Board agenda to approve the early-implementation of GASB 75 and the contract with Conrad Siegel (via the agreement with the PA Trust) to obtain the actuarial valuations.

Possible Action Item – Educational Services Contract Amendment: Mr. Franklin reviewed an amendment to the contract with the Vista School for them to provide meals for one student with lunch needs at an approximate cost of \$42 per month. Mr. Franklin noted that the Vista School does not offer meals as part of their program and that parents generally provide bag lunches, but this situation requires an alternate plan. Mr. Franklin said that it is not possible for the meals to fall under the District's school food service program. Mr. Franklin said that since the District does not regularly provide meals for any students that the District would obtain contributions to cover the cost of any meals so that there would be no budget impact for this cost. The committee recommended that the contract amendment be added to the Board agenda for approval.

Agreements

Action Item – Telecommunications: Mr. Franklin said that the District received proposals from AT&T, Sprint, T-Mobile and Verizon for cellular and data telecommunications services for the 2016-2017 school year in conjunction with the E-rate process. Mr. Franklin said that the proposal from T-Mobile was approximately 1/3 of the cost of the proposal from AT&T (current carrier). Mr. Franklin said that T-Mobile allowed the District to test their service inside the District as well as having it tested by two employees at their homes. Mr. Franklin said that the testing indicated that the service was comparable to what is currently received with AT&T. The committee recommended that the agreement with T-Mobile be moved to the Board agenda for approval.

Equipment Purchases

Possible Action Item – Replacement Cell Phones: Mr. Franklin said that cellular equipment is up for replacement and that this would be the time for replacement

even if a new carrier was not going to be used. Mrs. Mehaffie asked how many phones the District has. Mr. Franklin said that he was not sure of the exact number and estimated that there are approximately 15 employees that have District cell phones. Mr. Franklin reviewed the employee groups that have cell phones and said that some employees receive a stipend instead of a cell phone because they use their personal cell phone. Mr. Franklin said that he believes that the decision to purchase cell phones could be delayed until next month when additional information can be provided.

Policies

Information Item – Disposal of Unused Equipment: Mr. Franklin reviewed the computer carts and custodial equipment that is listed for disposal. Mr. Franklin noted that the computer carts are being sold to Halifax Area School District and the custodial equipment will be placed for sale on the auction website. **(See Attachment)**

Appointments

Discussion Item / Possible Action Item – Independent Auditor: Mr. Franklin reviewed a request to contract with Boyer & Ritter to provide independent auditor services for the 2015-2016 school year audit at an estimated cost of \$27,800 for the regular audit and \$4,000 for the single audit. Mr. Franklin noted that the Finance Committee had suggested last year that an RFP be done for this year's audit, but Mr. Franklin said that he would prefer to defer the RFP for one more year because of the implementation of the Uniform Grant Guidance this year and the assistance that has already begun from Boyer & Ritter. The committee recommended that the appointment be moved to the Board agenda for approval.

Resolutions

Action Item – Capital Area Intermediate Unit General Operating Budget: Mr. Franklin said that the Board of Directors of the Capital Area Intermediate Unit (CAIU) approved the General Operating Budget for 2016-2017 at their meeting on February 25, 2016 and it now needs to be approved by all of the districts in the service area. The committee recommended that the resolution for the CAIU General Operating Budget be moved to the Board agenda for approval.

Communications

Information Item – Dauphin County Technical School (DCTS) New Member Developments: Mr. Davis said that proposals are being obtained to have a valuation study performed based upon the desire to have all numbers known before any decisions are made regarding the admittance of a new member into the Dauphin County Technical School.

Adjournment

The meeting adjourned at 9:27 p.m.

The following list of equipment has been deemed inoperable as of February 25, 2016. These items should be removed from inventory and disposed of following applicable disposal guidelines.

Location	Item	Asset Tag Number	Comments
MAMS	Computer Cart	7273	Not used, not needed. Sold to Halifax Area SD
MAMS	Computer Cart	5316	Not used, not needed. Sold to Halifax Area SD
MAMS	Computer Cart	7276	Not used, not needed. Sold to Halifax Area SD

The following list of equipment has been deemed inoperable as of March 1, 2016. These items should be removed from inventory and disposed of following applicable disposal guidelines.

Location	Item	Asset Tag Number	Comments
HS	Windsor Sensor Vacuum	6530	Broken & not worth repairing. Will be used for parts.
Fink	Watchman Auto Scrubber	10646	Not working & not used.

Will try to sell the items on the auction site.