

UNIONVILLE-CHADDS FORD SCHOOL DISTRICT
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Tax Study Commission Minutes
September 28, 2006

The scheduled meeting of the Unionville-Chadds Ford School District Tax Study Commission was held on September 28, 2006 in the District Office Large Conference Room. Those present were Committee Members: Zachary Bowen, Robert Kane, James Romine, Charles Rudershausen, Ed Wandersee, William Wilson and Bruce Yelton, Robert Cochran, Director of Business & Operations, Sharon Parker, Superintendent and Sharon Baillie, recording secretary. Committee Member Barbara Siegel was expected to arrive late.

Chairperson Bruce Yelton called the meeting to order at 7:03 p.m.

Committee members agreed to the following schedule for future meetings:

Tuesday, October 10, 2006 - 7:00 p.m.
Thursday, October 19, 2006 - 7:00 p.m.
Wednesday, November 1, 2006 - 7:00 p.m.
Thursday, November 9, 2006 - 7:00 p.m.
Thursday, November 16, 2006 - 7:00 p.m.
Thursday, November 30, 2006 - 7:00 p.m.
Thursday, December 7, 2006 - 7:00 p.m.

All regular meetings will be held in the District Office Large Conference room.

Public hearing, October 26, 2006 - High School Auditorium - 7:30 p.m.

Presentation to the School Board - December 11, 2006.

Mr. Bowen moved to approve the minutes from the September 19, 2006 meeting. Mr. Wandersee seconded the motion. Minutes were approved 7-0.

MEMBERS PRESENT

CALL TO ORDER

SCHEDULE OF MEETINGS

PUBLIC MEETING

SCHOOL BOARD PRESENTATION APPROVAL OF MINUTES

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Mrs. Siegel arrived at 7:25 p.m.

Mr. Yelton proposed bringing in outside speakers, suggesting that the Committee ask State Representatives to explain the voting process. Mr. Bowen stated that the intent is irrelevant to what is expected by the Committee. Mr. Romine added that the representatives have heard from the community and may have input as to community feelings.

Mr. Yelton asked whether having a representative from Kennett Consolidated School District speak would be helpful. Mr. Cochran stated that he could get a synopsis from Kennett, and referred to the summary of his conversation with Colonial School District which was contained in the packet of information presented to the Committee this evening.

Mr. Bowen suggested using this meeting as a roundtable discussion of Committee opinions and focus. He would like to have an independent accountant give input and go through issues as each person sees them.

Mr. Yelton stated he was concerned with procedure for collections. Mrs. Siegel would like more perspective on Earned Income Tax (EIT) vs. Personal Income Tax (PIT). Mr. Kane questioned whether there would be any exemptions to quarterly payments and whether there is a minimum payment. He also would like an explanation of the implications of quarterly payments vs. annual payments.

Mrs. Siegel questioned the impact to District on the loss of annual investment income.

Mr. Cochran stated that all tax monies except for a 2% collection cost go to offset property taxes and that some of these concerns are outside the scope of this Committee.

Mrs. Siegel asked if we have some baseline idea of what other Townships or municipalities or Districts are doing. Mr. Cochran suggested that the Committee could bring in a representative from Berkheimer Associates and that Newlin and Pennsbury Townships currently levy the EIT.

Mr. Romine asked for a clarification on the amount collected vs.

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amount billed.

Mr. Cochran explained that collection is estimated. Mr. Bowen asked if the Committee was allowed to weight collection % in tax rate design. Mr. Romine stated that the collection rate will also vary by income rate going up or down.

Mr. Cochran stated that the reality is that the first year we will only get 70%, but in future years we will get close to 100%.

Mrs. Siegel asked about cash flow/timing issues. Mr. Cochran stated that as of this date 87% of our income is received. This will be different under the new system.

Mrs. Siegel asked what the implications are of reciprocity (with townships who currently levy EIT/PIT taxes). Mr. Wandersee suggested contacting Dominick Pileggi or PFM for a response.

Mr. Romine asked what the actual cost of collection. Mr. Cochran stated that Downingtown currently pays 1 ½ % to Berkheimer Associates and 5% on delinquent accounts. Berkheimer and Central Tax Bureau are the two primary firms in this field.

Mr. Bowen asked where the Committee should go to get collection data. Mr. Cochran said the best place would be from Berkheimer Associates but be aware that you must separate marketing from the meat. Berkheimer would be the best place to get an idea of how revenue would appear.

Mrs. Siegel summarized the affected taxpayer groups as follows:

- Renter vs. homeowner
- Resident's Township
- Philadelphia Employee?
- Income level
- Property value

Mr. Bowen raised the question of whether it would be beneficial to have PFM consult. Mr. Cochran stated that their fee for an evening is \$1,500. Mr. Wilson stated, and the Committee agreed that it would not be worth \$1,500, since the School District could provide

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similar information.

Mr. Cochran referred the Committee to the information provided in the packet distributed this evening which was prepared by Mr. Murray. He highlighted the page in the packet entitled "Estimated Impact of Act 1".

Mr. Wilson questioned the accuracy of the income data. Mr. Cochran explained that we are using the 2003 data from the PA Department of Revenue.

Mrs. Siegel questioned the impact on residents of West Marlborough Township where almost 50% of residents are renters. Would implementing an EIT mean that the renter would be hit with more taxes? Will an EIT disproportionately affect renters?

Mr. Romine would like to explore the impact (positive and negative) on individuals, as well as the impact on the School District. The short term impact may be collection deficiencies; are there any long term deficiencies?

Mrs. Siegel would like to look at trends that are likely to occur in the School District.

Mr. Cochran stated that we are going to be restricted on our income regardless of the decision of the Committee.

Mr. Wandersee stated that people expect some sort of tax relief. If we don't do anything, that will hurt us.

Mr. Yelton asked if the voters turn down any change, do we still get slot monies? Mr. Cochran stated that we did.

Mr. Romine stated that the Committee needed a thorough understanding of the short-term and long-term impact. What would be the trade-off if the housing market goes soft?

Mrs. Siegel asked what the long-term impact would be of the effect on renters.

Mr. Romine asked where Unionville-Chadds Ford is in terms of taxpayer impact. Mr. Cochran stated that if you look at the tax rate

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in the twelve School Districts in Chester County, only three have lower millage rates: Great Valley, T-E and West Chester.

Mrs. Parker asked what kind of Federal monies we receive. Mr. Cochran replied that we get less than 1% from Federal monies and less than 15% from the State.

Mr. Bowen proposed that the Committee break down the meetings into the following areas:

- Collections
- Return rate of EIT vs. PIT (who gains/loses by category)
- Other Townships
- Cash Flow
- Impact of reciprocity
- PFM
- Impact on School District
- Projected revenue

He added that the only issue the Committee may need an outside consultant for is an accountant to explain reciprocity issues. Mr. Cochran offered to talk with Mr. Tim Umbreit, District Auditor. Mrs. Siegel suggested the Committee prepare a list of questions in advance.

Mr. Bowen suggested that the next meeting be on one of the listed areas so that the Committee could progress in a logical order.

Mrs. Siegel stated that collections are unknown but are dependent on whether the Committee proposes an EIT or PIT. Mr. Bowen suggested to start on the implications of individual scenarios, and proposed discussing the implications of EIT & PIT at the next meeting. Mr. Bowen then asked who is eligible to vote in May. Is the ballot question open to those registered as Independents? Mr. Cochran replied that it was.

Mr. Bowen moved to adjourn the meeting. Mr. Yelton seconded and adjourned at 8:55 p.m.

Respectfully submitted,

James Romine
Secretary

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