

**BOARD FINANCE COMMITTEE MINUTES
NOVEMBER 12, 2007**

Members of the Board Finance Committee met on Monday, November 12, 2007, in the Dining Room at the Education Center. Chairperson Koch called the meeting to order at 6:38 p.m. The following school board members were present: Mr. Rosario Amato, Mrs. Michele Cann, Mr. Joseph Craig, Mrs. Judith Dexter, Mr. Craig Haytmanek, Mr. William Heske, Mrs. Charlene Koch, Mrs. Loretta Leeson and Mrs. Diane Rowe. Also in attendance were Dr. Joseph Lewis, Superintendent of Schools; Mr. Stanley J. Majewski Jr., Assistant to the Superintendent for Finance and Administration; Mr. Joseph Hogan from Mullin and Lonergan Associates, Inc.; Attorney John Lushis from Tallman, Hudders and Sorrentino; Mr. Lou Pektor from Ashley Development Corporation; Dr. Arthur Scott, President of Northampton Community College; Mr. James McGovern, Vice President of Academic Affairs, Northampton Community College; Mr. James Dunleavy, Vice President, Finance and Operations, Northampton Community College; members of the press and other interested citizens.

MARTIN TOWER (TIF) – Mr. Joseph Hogan from Mullin and Lonergan Associates, Incorporated who stated he was working for the Industrial Development Authority on tax impact and financing. His firm is located in suburban Philadelphia with offices in Pittsburgh and Harrisburg. Also in attendance was the solicitor for the Lehigh County Industrial Development Authority, Attorney John Lushis, and developer Mr. Lou Pektor from Ashley Development Corporation.

Attorney Lushis from the law firm of Tallman, Hudders and Sorrentino stated he had been designated by the board of the Lehigh County Industrial Development Authority to act as its representative in connection with what is known as the proposed tax increment financing, (TIF), with regard to the Martin Tower property. The property is currently owned by an affiliate of Ashley Development Corporation based in Bethlehem.

Attorney Lushis stated the reason why Lehigh County Industrial Development Authority is involved is because Pennsylvania has a specific statute (TIF legislation), which states the sponsoring entity for financing must be either a county industrial development authority or a municipal redevelopment authority. The county industrial development authority will be the sponsoring entity for the Martin Tower TIF financing. Attorney Lushis explained the purpose of TIF legislation and the involvement of bonds, which will be used to underwrite some of the cost to revitalize and rehabilitate Martin Tower. He stated the assessed value of the property has diminished greatly over the years and the ultimate goal is to raise the value to a much higher level, which would result in a substantial increase in the annual tax revenues generated from the property.

Attorney Lushis explained that three taxing bodies (the school district, county and city) are required by the TIF Act to appoint representatives to a committee that works on a project plan, which is presented for review and approval.

He explained that if the project goes swimmingly and the bonds are paid off, then the school board, county and city will reap the benefits of the increased value of Martin Tower for years going forward. He said more and more states and communities have relied on TIF as federal redevelopment dollars have diminished.

Dr. Lewis provided the board with slides and literature to further explain details associated with the property.

Mr. Majewski discussed the assessed value of the property stating that many years ago it had a market value of \$55,000,000 but the value has considerably decreased approximately 80 percent and is currently an unresolved appeal refund decision.

Mr. Majewski commented that they entered into a TIF with the Bethlehem Steel Property and it appears that the outcome will be positive for the city, county and the school district. As a result of the TIF being in place and the ability to obtain financing, they will be seeing the benefit of their involvement very soon.

Attorney Lushis noted that TIF was a viable alternative to conventional financing for the upfront costs of the project and will hopefully reap the benefits on the back end.

Director Amato inquired about partners.

Attorney Lushis replied that it is his view that the project would be in serious jeopardy if the school board (the entity that levies the most taxes) did not partner with the county, city and authority on this TIF.

Dr. Lewis asked for clarification on the risk and stated that the risk is inherent in the Development Authority to Lehigh County.

Attorney Lushis stated that if a bondholder does not get paid, the school board is not a contractual obligatoire to anything. He said if the project were to collapse, the school board or district isn't in any worse condition regarding the tax value of the property.

Dr. Lewis stated that the county executive, the mayor and himself have agreed to have a representative from the board or council and an administrative representative from all three entities and requested the board to endorse his appointments to those committees.

President Haytmanek stated Michele Cann has agreed to serve as the district representative.

Director Dexter asked when the board was meeting, stating that there are new members being sworn in and there may be a possibility that they would be interested in being a representative.

Director Amato inquired about the structure and operation of the committee. He asked if once the committee comes together with a decision, does the school board vote on it?

He was told yes, by ordinance or resolution; the plan has to be presented to the three taxing bodies and is subject to the requirements of the Sunshine Law. He said there is a formal procedure that must be followed which is outlined under the act.

Director Craig stated that he is comfortable with Director Cann representing the board.

Dr. Lewis asked Mr. Pektor to speak to the issues about certain expenditures, which could be mitigated through the funding.

Mr. Pektor gave an update on the current status of the property and provided details regarding health and safety issues associated with bringing it up to current code. He proposed that residential use would be the most appropriate choice for the property.

Director Heske inquired about the timeline associated with the district reaping a benefit from the project. Mr. Pektor estimated an 18-month timeline associated with the abatement, demolition and retrofit of the core elements of the building. He said once that is finished, another 12 to 14 months is involved in build time in order to achieve a certificate of occupancy for the building.

Mr. Majewski directed a question to Mr. Hogan regarding development of the TIF document by working with Ashley Development, the anticipation of the tax, the costs and inquired if it would be clearly stated with regard to the details.

Mr. Hogan responded, "We have to."

Dr. Lewis asked the board for a consensus on Mr. Majewski representing the district and Director Cann representing the board with the contingency that the invitation to attend be extended to newly appointed board members after the reorganization.

Director Koch noted that all present agreed with the recommendation.

SOLICITOR FEE AGREEMENT – Mr. Majewski stated that he received notice from Sweet, Stevens, Katz and Williams, LLP, regarding the proposed revision of their fee agreement as of July 1, 2008. The information was provided with consideration of budget development. The fee agreement is not a solicitor's agreement but if the district uses their services as of July 1, 2008, the chargeable items, which would be the non-retainer items involving litigation, would be billed according to the provided list.

Director Amato inquired about the duration of the agreement.

Mr. Majewski said there are times when the agreement has been in place for several years and they have not changed the rates. He said it would continue until another change is requested.

Director Amato asked if the district was obligated by a binding contract to use their services.

Dr. Lewis replied that they are paid by each separate service rendered.

Director Koch stated they are paid on a case-by-case basis.

Mr. Majewski stated the intent was to discuss it with the board and place it on the November 19th board agenda for further action.

Director Leeson asked why it was necessary to be placed on the agenda for approval.

Mr. Majewski replied it was not necessary.

Director Leeson thought it should be an "Information Item Only" and not an action item.

Dr. Lewis added that in the past the board had approved the essential fee agreements and have taken action on them. He said they could defer.

Director Leeson said that she didn't think a fee agreement should be made until they get closer to the point of using it, noting that one doesn't know what might come up between now and then.

Director Amato made the point that if the district desires to continue with their services, at least the fees would be guaranteed until July 2008 even though they are not locked into using them.

Director Dexter said that she thought they could still raise their rate schedule.

Director Leeson stated she felt uncomfortable voting on their services when they have no others for comparison and felt they were rushing to put it on the November agenda.

Mr. Majewski added that there is nothing to prevent the district from having multiple agreements to use different professional services.

Director Koch questioned if the law firm being discussed was expecting or requesting to be placed on the agenda.

Mr. Majewski replied that the fee schedule was sent out as a courtesy to the district with regard to budget development and the firm is not expecting anything at the present time.

Director Koch questioned if the rate schedule would be incorporated into budget preparation.

Mr. Majewski replied that it would be considered because there is an increase, which would factor into the anticipated budget.

Dr. Lewis said it could still be done without passing the resolution.

Director Craig recommended that it be taken as informational and to wait until spring to take action if necessary.

Director Koch determined the consensus is in agreement with Director Craig.

CHANNEL 39 – Mr. Majewski stated for many years the district had paid an annual fee to Channel 39 for services. At one time their services were used a great deal within the schools. Considering the approximate \$30,000 fee, he questioned if the services are a valuable resource and are they being utilized. After contacting the building principals, he found that the service is limited and it is not being used to a great extent, with very few participants. He said if the schools were no longer using the services, he would like to save \$30,000 in the budget and asked the board if they would be in agreement.

Director Koch expressed her displeasure with the discontinuation of The League of Women Voters Candidate's Night, and after inquiring, she was told that nobody was interested in the candidates running for school board. She also recalled the years when the superintendent along with other administrators would be featured on their channel with a question and answer session to follow. She said they are considered public service but they are no longer serving their district.

Dr. Lewis stated it is their position to look at the contribution to the district; not that PBS and public stations aren't important but the school district must subsidize the service. The principals unequivocally said that the services are not being utilized.

Director Craig asked if the district has ever requested specific exposure on their channel and would paying them \$30,000 a year assure them the privilege. He questioned if it would also still be worthwhile.

Dr. Lewis conveyed that he is not sure if it would be valuable. He said Channel 49 has come to him and asked to do a feature series. He said it would not eliminate their participation in sponsored competitions.

Director Craig said the question should be asked if this was a result of lack of interest in the district or The League of Women Voters feature or was it because Channel 39 wanted to stop those activities.

Dr. Lewis expressed that he thought they changed direction but not necessarily a bad direction. He said individuals such as Terri Haddad have done great public programming pieces, but reiterated that the principals expressed they were not using the services.

Director Koch said back in the day when Sheldon Siegel was with Channel 39, it was a great opportunity for people to obtain information about the candidates when The League of Women Voters participated in the programming. After he left, they seemed to have re-evaluated the benefit of the program.

Director Craig said there are school districts in Pennsylvania that have a weekly show on public service television involving question and answer sessions. He wondered if it was a lost opportunity to reach out to the public and asked if it should be considered, just as a thought, for \$30,000.

Director Koch asked if the channel should be contacted for further discussion.

Director Leeson commented that because of standard based education, and with the emphasis made on standards, valuable programs that were utilized in the past such as Reading Rainbow or Bill Nye the Science Guy are no longer being viewed. She also thought that students are spending more time on computers and other types of activities rather than watching a program on PBS. She felt they are still valuable programs but we probably have done more of a switch than PBS. She noted the Tempo program which has previously featured the district, and is a fairly comprehensive program, and also said they run college level courses featured in the evening. She said a change in demographics might have had an impact on their programming.

Dr. Lewis agreed with Director Leeson and noted that different contracted programming modes such as unitedstreaming delivers the information at a fraction of the cost because the district has an Intermediate Unit contract which is very inexpensive and 100 percent of teachers have access at will.

Director Koch asked if anyone wanted to further pursue the issue with Channel 39 before it appeared on the next agenda. She noted the general consensus favoring discontinuation of contracted services with Channel 39.

5-YEAR PROJECTIONS – Mr. Majewski said that in the literature provided he attempted to give the board an indication of the school district's financial status using statewide comparisons, where we were and are with regard to trending and then actual projections.

The 2005 – 2006 Annual Financial Report Expenditures per ADM (Average Daily Membership) is information which can be found on the Pennsylvania Department of Education website. He said it lists information generated from annual financial reports from all school districts. He compared Bethlehem Area School District to other districts and it revealed approximately 71 to 72 percent of districts in the state spend more per ADM than this district. He also noted 62.64 percent of money spent in the district went to direct instruction as compared to 57.39 percent of the average state school district. He said the district is spending less per student but focusing more on direct instruction. Total expenditures per ADM revealed approximately \$1,400 less per student than the average school district. Another item of focus listed under “other financing uses” is the school district debt service which revealed 9.7 percent of their budget goes toward the payment as compared to the average school district, which is 11.27 percent. Because the district is so large, the numbers appear big but when viewed as a percentage of the budget, their debt service is lower than most school districts in the state.

When Mr. Majewski made a comparison with 1997 – 1998 on the state website, he noted the district was ranked 257; whereby only 51.1 percent of the school districts were spending more per ADM than our district. From that period up to 2005 – 2006, our ranking had dropped from 257 to 359.

As far as revenue per ADM, he noted that 72.26 percent of our revenue comes from local sources versus the average of 59.12 percent. The average school district was getting 35.35 percent support from the state and our district was at 23.66 percent, which is approximately 11.50 percent less than the average school district. Federal revenue was relatively similar. Mr. Majewski stated it may be thought that the state is looking at our district as being wealthier than other districts and therefore supported by local dollars but he stated it is not true. He calculated and compared revenue sources from 1997 – 1998 to 2005 – 2006, and stated the amount of support that came from the state dropped from 26.1 percent to 23.66 percent of the budget.

Mr. Majewski reviewed the market value/personal income aid ratio, which is a calculation of relative wealth among school districts in the state. In 2007 – 2008, he noted the district has a market value/aid ratio of .4811 with the average school district having a ratio of .5863. He said we are slightly wealthier than most other school districts but instead of getting wealthier, we actually have significantly declined in relative wealth as compared to other school districts in the state. In 2005 – 2006, the district’s aid ratio was .4548, in 2003 – 2004 it was .4269 and in 1999 – 2000 it was .3886. He noted in 1999 – 2000, the average school district had an aid ratio of 55.27 or a 1.42 factor higher than our district. We went from that type of differential where the district was considered wealthier as compared to other school districts to the 1.2 factor we have lost. He said that even though we have had vibrant growth in certain aspects of our assessed value, the remainder of the state has been getting wealthier on average than our district and after combining that with lower state support, the result is a lower cost per ADM.

Mr. Majewski reviewed Historical and Projected Expenditures, which included salaries/wages. He noted “Other Salaries/Wages” included any wages other than regular teachers’ salaries. It includes substitute teachers, extra duty for professional staff and anything other than the regular teacher wages. The largest area of growth are bus driver wages considering the complexity of transportation involving the district and other school districts including non-public and charter schools. Another area of probable increase would be custodial wages because of the increase in building square footage. The other increases have mirrored the contract fairly well. He noted FICA has not changed and continues to remain the same. Mr. Majewski reviewed projections from the retirement system PSERS, which were incorporated in expenditures with figures presented as of October 31st.

He noted the 7.13 percent rate at present, which will go to 4.97 percent next year and flattens out to 4.73 percent for several years but there will be a spike to 11.89 in 2012 – 2013. As dramatic as that seems, prior to the

October 31st information, he expected the figure to be closer to 20 percent. He commented that it could change and continues to change noting the figures are the most recent projections available and therefore incorporated into the calculations.

Mr. Majewski stated that health benefits have been the most difficult to project with changes over the last several years being anywhere from a slight decrease year over year to a 36 percent increase. He looks at certain trends when addressing the budget. Grant funding has had an impact on the cost of health benefits with less being picked up by the general operating fund. After the beginning of the year and the budgets are set, the contracts are coming in and there is not enough money to pay for benefits as previously done. Mrs. Cintrón could approach him and tell him that they thought they were getting money and were cut back and with the health benefits cannot be absorbed by the grant so they are pushed onto the general operating fund. He said there is more to the number than just the year over year cost increases in health benefits. He said after reviewing the trends he is starting to see a pattern and it is not a good pattern.

Last year was a dreadful year with regard to health benefits with a budget of \$15,000,000 and approximately \$16,100,000 was spent out of the general operating fund. Mr. Majewski said that in January he noted significant trends showing a substantial increase in the proposed budget citing an increase from \$15,000,000 to \$17,000,000.

Mr. Majewski discussed the future of health benefits and the push for statewide health insurance. If it goes through, he is not sure when and how it will affect the account. It will not pick up all benefits but will pick up a portion and will be phased in as contracts end. It will need to be monitored and he will keep the board informed on a regular basis.

Director Leeson asked about the \$1,100,000 increase in self insurance that he had not anticipated but the year before they already had spent \$15,200,000, almost \$15,300,000, so why didn't they budget a little bit more for the following year? When she looked at the 2006 – 2007 figure, we are still in the ten percent range, which is where they hung the last couple of years and said it didn't look to her like it should have been a shocker. She is aware that health care costs go up and down and they cannot anticipate but questioned why the same amount was budgeted as in the previous year.

Mr. Majewski replied that they were able to provide funding from other sources and the costs were lower than the market so that type of trending showed stability and therefore \$15,300,000 would have been around what was anticipated. However, going from where they were to where it came in was a much larger increase and considering that \$600,000 was previously charged to other grants, which was no longer available. He said if he still had those resources, the \$16,100,000 would have been closer to \$15,500,000.

Director Leeson said the \$15,300,000 in 2004 – 2005 was about 10.8 percent of the budget and the \$15,294,000 of 2005 – 2006 was 10.3 percent of the budget and now what we actually spent, the \$16,100,000 is ten percent of the budget so as we increased personnel, we had to have anticipated that we needed the increase.

Mr. Majewski said it was considered but there were more moving parts to that figure than just that amount. There were amounts that were charged up to other funds and in addition to that the self-insured had a fund balance of about \$800,000 and it had grown a little bit so it was anticipated that the fund balance would help reduce the demand from the general fund account. He didn't want to tax in order to increase the budget to provide more reserves for the self-insurance account.

Mr. Majewski said what is being looked at is a \$1,100,000 increase but the overall cost rose far greater than that because of other sources and reiterated that it was a terrible year. It has never been his goal to put more into the budget than what is actually necessary so they could grow a fund balance. All factors were considered but what he found during the year was that the grants could no longer support the funding and they had a number of bad hits that were rather extraordinary, being familiar with the cases and having knowledge that they are not ongoing. He said that is why people have fund balances with contingencies especially when self-insured because it occurs. It is not his intent to bring forth a number that is lower than what he anticipates, nor is it his intent to exaggerate a figure in order to tax at a higher rate than what is necessary. When he budgeted \$15,000,000, everything was taken into consideration based upon the trending and he felt it was sufficient to be able to maintain payments on the accounts without hurting the self-insurance fund. As he stated earlier, he didn't have the information throughout the year, the trends which starting showing that it was increasing more rapidly than what he had anticipated. He signaled during budget time that the parameters he used were no longer appropriate from the last few years. The trends were changing and they had to shift in order to accommodate the trends. Mr. Majewski said that he could not possibly anticipate a set amount of staff or their family members becoming terminally ill and requiring \$200,000 or more in health care costs. It was one of those years, which, in this case made a profound impact on the budget.

Director Koch interrupted the conversation and stated that Dr. Scott was waiting along with some other individuals to make a presentation. It was agreed to resume discussion relative to the budget after the presentation was completed.

NORTHAMPTON COMMUNITY COLLEGE BUDGET PRESENTATION – Dr. Arthur Scott introduced Mr. Michael McGovern, Vice President of Academic Affairs, who is also the liaison to the Bethlehem Area School District and Mr. James Dunleavy, Vice President, Finance and Operations.

Dr. Scott made note that the college budget had not been created yet, and stated they are in the first phases with their board of trustees making consideration in January. He said because of Act 1, he met with the superintendents in September and was asked to approach them in early fall with their requests. President Haytmanek questioned if the college enrollments have increased this year.

Dr. Scott responded that they are at their highest enrollment with a 3.6 percent increase from the previous year. The Monroe County Campus increase wasn't quite as high as it has been in the past.

President Haytmanek commented that he was aware that their healthcare programs, particularly their nursing program, were very competitive. He asked if there was any move to increase the number of available slots in the program.

Dr. Scott replied that they would increase them quickly if they could find faculty and also clinical time for them in the hospitals. He said they added another section this year because of an agreement they have with Lehigh Valley Hospital where they are actually supplying the faculty. He commented that it is the largest nursing program in the region and they graduate approximately 170 nurses per year with both RNs and LPNs.

Director Craig suggested to Dr. Scott to inform the board about the Southside Campus and how it is coming along while he was waiting, assuming it was part of his presentation.

Dr. Scott said they just opened their sixth floor and over 5,000 students have taken classes with two of the floors being leased. He said it is an absolute vibrant place with activities from dance classes to cooking classes to

traditional credit classes in addition to ESL and workforce development training that is occurring. He said it is way beyond their expectations.

Dr. Scott began his slide presentation by stating their enrollment has increased over 70 percent since the year 2000 so the growth has occurred each and every year. They had hoped to reach 10,000 credit students this fall but they fell a bit short. For Bethlehem, during the same time period, the increase has been 53 percent for fall enrollment credit courses with a steady incline. He broke down the student population, stating the part-time population is decreasing with more full-time students entering directly from high school than in the past.

On the next slide he revealed the multiple locations where students are attracted from and noted it is a profile similar to Moravian College or DeSales University. He said they come from 57 different Pennsylvania counties, 30 different states and 38 different countries. Dr. Scott felt it was important to bring international students to their campus so they could interact with and understand their cultures and societies. With the present global economy, they need to understand what is going on with the rest of the world and the best way to do that is to interact with students from other countries which has really worked for them. They have always attracted students from out of the region and they did that by design and stated that the county needs certain technology and allied health programs but really can't support them to the necessary level. By attracting students from other counties and states, they fill additional seats and the instructional costs remain the same. He noted that students from out of the state and county pay double or triple in tuition fees so it works for the college financially as well.

Dr. Scott stated their minority enrollment has grown dramatically over the past several years to where it is now 20 percent of the entire student body and places the college as having the largest number and highest percentage of minority students of any college in the region.

The following slide revealed passing rates and cited the LPN Program with a 95 percent rate and the RN Program having a 92 percent passing rate which are higher than most other colleges; both baccalaureate and associate degree programs. He emphasized that 20 plus of their career programs have placement rates of 100 percent. Their graduates report back to them stating they have been prepared well for transfer or to enter the working world.

Dr. Scott demonstrated the comprehensiveness of the college by citing that over 19,500 different people took non-credit courses with most of the students entering through their companies for training purposes. They provide annual training and consulting for over 300 companies.

He said over 7,700 different students attended the college from Bethlehem for both credit and non-credit courses. He noted the district is the largest sending district by far. He also stated that districts are not asked to support the non-credit programs.

Bethlehem sends the institution more dual enrollment students than any other district. He said 229 different students took 290 courses with the most popular courses being English, Psychology and Speech. He revealed the grade point averages for the past five semesters and stated that they have done very well. Dr. Scott noted that the students are not segregated but incorporated into the program along with the traditional students and performance is on a B-average level for most semesters.

The credit enrollment profile for this fall shows 2100 students from the school district and mirrors the college averages with the exception of the minority population, which is higher than the college average.

Dr. Scott reviewed the most popular majors at the college and explained the Presidential Ambassadors Program. He said the students attend tuition free agreeing to a service requirement and must maintain over a 3.0 grade point average. He said this year they have three students from Bethlehem Area School District and complimented their performance.

Dr. Scott spoke highly of their softball team, noting their current record of 94 in a row and stated Katie Snyder, a district student, was part of the team.

Some future programs were revealed during the presentation and are under investigation. He commented that labor studies are done to ensure there are job opportunities for students. Speech Pathology has been requested by a number of school districts.

Dr. Scott reviewed the budget and said that the overall request is a 3.49 percent increase with 3 percent in operating costs and an increase of \$25,000 in capital. The district has been contributing \$100,000 overall (the eight districts in capital for the past 20 years). We have increased it this year to \$125,000 resulting in a 3.49 percent increase. He noted Bethlehem is slightly higher than the average, which means on the 5-year average, the students being sent to them, Bethlehem's increase has been slightly higher than the other districts. The actual increase of the 5-year average for all the districts is between 6 and 7 percent and has been for many years but they have been passing on 3 percent increases to the districts.

Director Leeson asked if the dual enrollment courses were credit classes.

Dr. Scott replied that they are full college credit classes, which are transferable to other institutions and are documented on a college transcript.

Director Leeson asked about the seamless integration of the programming because of the number of students entering the college.

Dr. Scott commented on the sequencing of math courses noting that a student will have difficulty when he doesn't take the appropriate course order. He said that it is a national issue and that mathematics is something that needs to concern all of us. He said the students do very well when they typically take the correct math sequence.

Director Leeson discussed standardization of Algebra II with Dr. Scott and both agreed it was an ongoing issue.

Director Rowe commented that her son is currently dual enrolled in English and stated he loves the course and enjoys the mix with the college students.

Dr. Scott replied that they attempt to give the students a positive collegiate experience and they are fortunate to have the campus so close to the district.

Dr. Lewis added that Dr. Scott mentioned the partnership between Nazareth, Bethlehem and NCC and he thanked him along with Mr. McGovern and Mr. Dunleavy. He said that one of the issues brought forward is when one gets into a university partnership, the district receives \$38,000 and the university receives \$1,200,000. Dr. Scott assured him that it would not happen and it did not happen. Dr. Lewis said there was an equal distribution of a grant which they engineered and this district was invited to go along and the division of the

proceeds is fair and equitable and noted that professional development is included along with tracking of our students to see their progress with regard to mathematics. He said they are looking at and he believed they have incorporated the proficiency level of the PSSA as a waiver standard for taking the entry examination for math and reading.

Dr. Scott stated they have done that and so if a student who scores at a certain level of the PSSA test does not have to take the English or Math Placement Test and is moved right into college level work. As a matter of fact, they are getting a lot of state-wide attention because they are the first community college to do so, by doing a pilot study a few years ago and tracked the students and found they did very well once they reached a certain level in PSSA scores. He noted it was ideal because the PSSA tests are here, so why not use them for college placement.

Director Koch mentioned that it might be helpful for some people to hear why there is a benefit by having Monroe County involved with the college.

Dr. Scott said Monroe County contributes to 25 percent of the student population and the county is growing dramatically. He said it applies to critical mass and because they are larger and offer high technology programs, it is therefore cost effective to offer the courses. Dr. Scott said their mission is to provide educational opportunity and to help the economy by having an educated population. He said that many county residents work in the Lehigh Valley and vice versa and that the county is only served by East Stroudsburg University. The college was invited there 20 years ago and has been met with success.

The county has agreed to participate in building a new campus just as the districts in the state built their main campus in Bethlehem; the county has agreed to build that campus with the state. He noted the students still pay double tuition and so the income they receive from a student in Monroe County is the same as a Bethlehem student but the district and the student who pays less, equals what the Monroe student pays as nearly double tuition. He said the students take courses at both the main campus and at the Monroe Campus. Dr. Scott said it is an exciting opportunity for them and it does help this county. The college would not be the institution it is today if they did not have the support of the Monroe County residents.

5-YEAR PROJECTIONS – *(continued)* – Mr. Majewski resumed his discussion beginning with the topic of Debt Service. As seen with the 2008 – 2009 budget moving forward and based upon financing, they have fairly well determined their annual costs. He reviewed intersystem payments stating there are two components of focus. There has been a significant annual increase in Charter School costs but he has finally seen the large increases temporarily stop this year because of adding entire classes. He is projecting a slight growth in the Lehigh Valley Regional Academy but not to the extent previously experienced. He noted one surprise while going through the projections was the cost of the Colonial Intermediate Unit classes and services. What affected our district last year was their late payment for some of the special education services. He said they closed out the prior year's books and had to absorb \$580,000 in last year's budget, which should have been in the prior year. In addition, all of the reconciliation occurs at the end of the year, so billings are received in June, July and August and they are being tracked but one cannot clearly see some of the patterns throughout the year.

Mr. Majewski noted that partial hospitalization is one of them where Medicare is billed for the students and our costs are reduced as the checks come in. Last year, he said costs were approximately 30 percent higher than the prior year, which was the direct result of less Medicare funding. They are looking into some of the reasons why that may have occurred whether it is tying up federal dollars, or attendance issues. It had a definite impact on their budget.

Dr. Lewis commented that the federal regulations have changed on medical access. Agreement must be made on the part of the parent in order to sign on for medical access therefore certain services are no longer billable noting that it is a struggle at times to get parents to sign on. He said they are still ahead of the curve recalling that they hired Mr. Baretta several years ago and received between \$250,000 and \$300,000 for his efforts. Dr. Lewis said it could be higher if they could subscribe more parents. He added that they have not drawn down that money. He discussed the matter with Mr. Majewski and Mr. Agretto about drawing it down to do some offsets. The funds are not restricted as long as they are spent on special education services. It allows them to pay for special education services that previously came from the general operating budget.

Dr. Lewis said there is a superintendent's committee that reviews the general operating budget of the Colonial Intermediate Unit. It is a very small portion of the real expense, which is paid to the Intermediate Unit and frankly it has modest increases of 3 – 3.5 percent net out at \$2,500 - \$3,500 to a district like Bethlehem. They decided that they are not looking hard enough from a business office, special education office or in transportation regarding charges in intersystem payments. He noted that they received a memorandum today, at their request, from Dr. Brennan, on all the costs and where the projections are and it is on the cabinet agenda for Tuesday morning. Three superintendents said they want to see what the administrative charges are for programs that are being provided from the unit.

Dr. Lewis stated that in the past he has reviewed the transfer of entities. If they are paying an 8 percent upcharge for a \$70,000 employee and can provide the same service for \$45,000. They are paying an adapted physical education instructor a very high salary in addition to an 8 percent override in administrative costs. He questioned the justification of an 8 percent upcharge on the high salary. He said they could hire someone from ESU at a beginning salary, our administrator can oversee the adaptive physical education and it saves the district \$20,000 to \$30,000 in the process. He said they are pursuing all of those transfer possibilities within the Intermediate Unit budget. His goal is not to exclude the Intermediate Unit stating there are certain things they do better such as their autism program. Cabinet will begin to examine the data tomorrow morning.

Mr. Majewski noted some of the costs for placements such as the Colonial Academy have gone up and it was expected but the other areas were not anticipated. He said after discussion with Mr. Agretto, he found there were more and more high need students than were previously anticipated. Those are some of the huge drivers with the intermediate costs as well as a whole intersystem payment area. Mr. Majewski said that with intersystem payments, there are students who go through agencies and the court systems who are placed in detention homes and in other areas and the district is responsible for their education. Those numbers of students are increasing and it is putting additional pressure on the intersystem payments. He said they are attempting to develop committees to take a look at those who are billing the district for services and analyze their cost structure. He is not saying they are billing us excessively but there is an attempt to work with them to lower their costs so in turn our costs could be lowered.

Dr. Lewis mentioned the legislation on charter schools and noted they were involved in the testimony. It did not get passed in the sine die session, which will be immediately reintroduced in the spring. He does not know how it will impact the district. The Beyer Bill is geared toward setting a fixed dollar amount to come out of instructional monies for every charter school student. Dr. Lewis stated that while he still disagrees with public funding of private enterprises, if they could at least decrease it from a \$7,500 - \$8,000 range to a \$3,000 - \$5,000 fixed cost, it would be a tremendous savings when taking into account several hundred students.

Mr. Majewski explained the current lease fee schedule of payment for laptop computers.

Mr. Majewski stated there is concern with deregulation regarding electricity in the future. He is uncertain if it will be a 15 percent increase, 20 percent increase or a 30 percent increase but he does know that the cost of electricity from 2010 on will be very likely increased at a much higher rate than at present. At present he does not have any additional information and will keep his eye on the matter.

With regard to revenue, he began with real estate assessments. He said the City of Bethlehem is almost caught up to where they were 15 or 16 years ago and are starting to show a greater increase than they have in some time. The townships have continued growth but there may be some slowing due to the local economy and housing market. It may not be as dramatic as some of those out West or in Florida but it is something they need to keep an eye on and the growth in some assessments may not continue at the same pace. He hoped some of the assessment increases in the city would start to increase more rapidly so they could have continued growth of their assessment base.

The current year index for the school district is 5.4 percent and he factored in the maximum increase, which would have drove out a 2.02 mill increase. In the current year there is \$4,500,000 of one-time money that no longer exists, so it needs to be made up in some way, whether it be in cost reductions, restructuring, millage increase and with the top end of the millage increase being 5.4 percent. The challenge is to find some way to bridge that \$5,500,000 gap between anticipated revenue and expenditures. It is a task that they have been working on for several weeks and will continue to work on. It is not their goal to bring a budget forth that shows that type of spread. They hope to find solutions. Mr. Majewski said when they look beyond next year, it is an unavoidable challenge to find some way to restructure costs or do something with the budget so that they can no longer live off one-time money or the fund balance. It does not exist. Once that task is accomplished, the next year the gap is lower and the following two or three years will be an opportunity to regain the financial health of the school district. It is not an impossible task.

Mr. Majewski discussed the fund balance and noted the impact of health benefits, Intermediate Unit and charter school costs. He trusts they were one-time surprises. The best they could do right now is when they see the costs, they try to find some way internally to be able to look at what they are being billed and find ways to be able to reduce those costs so they could continue to shift more money into instruction and less away from other incurred costs.

Director Koch asked if the district is being hurt in any way by the problems in the housing market.

Mr. Majewski replied that at present the problems with the housing market have not had an impact but it needs to be monitored. They may be seeing lower growth and assessed value. If the houses are not being sold and there is no longer new construction then they will not have the same expected growth. With regard to commercial property, businesses are still doing fairly well, however, the sub-prime issue is starting to get some steam and it is continuing to grow. There are increases in foreclosures and therefore it puts inventory on the market and it has an impact on construction jobs and slows the growth of the economy and will eventually impact companies with hiring. There may be a slow down in 2008 that we have not experienced.

Director Koch asked if it is affecting the payment of taxes. If people cannot afford to pay their mortgage then they are most likely not paying their taxes. She stated if there is a foreclosure then their taxes are not being paid.

Mr. Majewski agreed with Director Koch but expressed that in the Lehigh Valley and within the Bethlehem Area School District, it has not yet become an alarming problem.

Dr. Lewis noted that the 2006 transfer tax showed a half million-dollar decrease from their projected 2008 estimate, which spoke to Director Koch's point.

Director Koch relayed that when she worked for a title company, people were often delinquent in their taxes and when their house were sold, the taxes had to be paid and she said we are not catching up.

Dr. Lewis replied that they do get the payment but it can be delayed.

Mr. Majewski added that he has attempted to take that into consideration with the collection rate. When looking at some of the future assessed values, the rate will be lower than what they have had previously. He said they have had collection rates as high as 96.4 or 96.5 percent because of some of the mortgages and is looking to drop it down to 96.1 percent for next year because he does anticipate a reduction in people's ability to pay.

Director Leeson said she is concerned about the lack of a fund balance. She stated there is \$524,000 in the fund balance, if she is reading everything correctly.

Mr. Majewski replied that given the assumption that the \$2,000,000 we have budgeted this year is spent exactly as projected, the \$524,000 fund balance, more or less, is what would be anticipated.

Director Leeson went back to 2004 – 2005 and stated she believed they budgeted \$3,000,000 for the fund balance and spent \$2,000,000. In 2005 – 2006 they budgeted \$3,500,000 and spent just over one million. She said that last year they budgeted \$3,500,000 and they spent \$4,900,000. In 2003 – 2004 and 2002 – 2003 they spent nothing out of the fund balance even though it was budgeted. She said if she recalled correctly, when they received economies or when they did some of the swap options, they put the money back into the fund balance.

Mr. Majewski corrected that it was placed into capital reserve.

Director Leeson stated that somehow they had significantly more economies in the 2002 – 2003, 2003 – 2004, 2004 – 2005, 2005 – 2006 years and in the 2006 – 2007 year, there was a greater impact, not just a half million or one million dollars. There was a lot more going on which made an impact to move it to an almost 4.9 million dollar usage of the fund balance. She said she assumed that even though some of it may have come late in the year, they would have known that some of this was happening as it was occurring and yet the board really did not know that an imbalance existed in the fund balance. She said one of their major roles is allocating money and it makes it very difficult for them to allocate money on an ongoing basis without having a fairly clear picture of the finances. She questioned if the lack of a fund balance have an impact on their bond rating.

Mr. Majewski replied that the bond rating might be adversely impacted by a reduction of the fund balance. The trend will somewhat impact their bond rating and has not yet but the potential exists. He said that having no fund balance could be another factor in reducing their bond rating. Mr. Majewski stated that even if they had a fund balance and it was coming down, the trend would catch the attention of the bond rating companies. He said that by having no balance and no contingencies would definitely get their attention.

Director Leeson asked if it could make an impact on the cost of money.

Mr. Majewski replied, "It could."

Director Leeson suggested that some other organizations have a running total noting where they are at the present time and where they expect to be. She said that the present condition of our district budget doesn't really give them a clear picture as to how the budget sits at a given time. She wondered if they could look into doing something similar with regard to monitoring the budget.

Mr. Majewski replied, "We could." He said if someone is doing it from month one and month two, he would not put much credibility into the projection of where they plan on ending 11 months from that point and further opinioned that nobody is that good.

Director Leeson stated that she felt it would give them a better gage.

Mr. Majewski said that he would prefer they do it at least six months into the year so that way they can get some idea as to what trends are occurring and the information is then more valuable. At least one has several months to observe what type of activity is occurring because during the first few months the budget is being used as the trend. He believed the source she is referring to is doing the same thing because they haven't even spent money to know where they are going to be billed next so how can they say if they are going to be either higher or lower and there won't be any credibility with that estimate.

Director Leeson replied that she guessed that salaries and benefits would be fairly easy to estimate.

Mr. Majewski said that, yes, usually several months after hires are completed.

Director Leeson said that supplies are usually purchased heavier in the beginning of the year than at the end. She suggested there be a condition of the budget that accurately reveals more.

Mr. Majewski replied that he believes they could do that but questioned placing any credibility in the first three or four months in an attempt to obtain projections because until they incorporate the new hires, one cannot reasonably project with insufficient supporting data.

Director Leeson suggested the possibility of a quarterly process.

Mr. Majewski stated, "That would work well."

Director Dexter commented that along the same line of where we are versus where we (as board members) might have thought we were, she asked how it happened without the board being aware. She said that part of it is their responsibility because they are not asking the right questions at the right moment and said that when they ask something they receive a response. She reflected back and thought well, if they knew that the fund balance and the financial picture were like this, then what decisions might it have impacted. The August 13 decision to renew the laptop computer leases came to her mind and the ratification of the police sub-station. She said to this day she doesn't know what it (the police sub-station) cost the district because when she inquired she was told that they were looking into some grants. Maybe it didn't cost them anything but again asked how they could get a clear financial picture when they are asked to make major decisions. She said some of us will say that major is \$10,000 and other members would say don't bother them with the details of anything below \$100,000. She said she wants to know their financial picture just as she would want to know within her own household. She asked how to get this information from administration and what questions will give them a true financial picture. She said that it was an unpleasant surprise.

Mr. Majewski replied that the extent of the depletion of the fund balance last year could not be revealed prior to spring, until some of the Intermediate Unit bills came in, he wouldn't have guessed it would be that high. He knew it would not be a year that they would be breaking even. He knew it would be a bad year with regard to health benefits. He agreed with Director Dexter regarding last year.

Mr. Majewski said there were certain things that could not have been fully known. He attempted to indicate in different ways that the finances were deteriorating. He referred to the 2006 Financial Audit, there is a section called the Management Discussion and Analysis. It is his narrative about the financial condition of the school district. He stated that the bond professionals hold him liable when they are reviewing the district finances. He said there were signals indicating that they were spending fund balance and their financial condition was deteriorating. There was no way for him to know that the last year was going to be a 5 million dollar deficit. He was aware that they would not break even but by the end of the year, he was also surprised by that figure. He said that a quarterly report with projections could put him in the position where there is a formal communication of individual areas with a sub-total so that it forces him to look at projections at least once a quarter and it also provides information to the board in a format that is structured and the individual items can be viewed so that they receive clear signals from him regarding their financial condition. It is not his intent to withhold information.

Director Dexter asked him why it is happening because they have made some major financial decisions and he may have possibly thought, "don't do it" or "please ask me a question." She said that she does not want to dance around finances and asked him for his candor and to please come forward and say, "Before you make the decision to renew the laptop program, I need to share information with you about the status of the fund balance or the Intermediate Unit bills or that the healthcare expenses came in higher." Director Dexter said that it is common sense to her and even if they don't specifically question him, she is relying on him to say, "hold it; put the brakes on; let me tell you something."

Mr. Majewski replied that with the laptop lease, he asked her to recall that there was an \$800,000 payment that was due and rolled into the new lease. He said he believed he made the presentation when he looked at where the money they already had obligated was going to be used in order to pay off the majority of the lease.

Director Dexter said, "But then we extended it."

Mr. Majewski said they looked at the following year where there was \$25,000 that was going to be budgeted for equipment that will be omitted to pay for the lease costs. There were other offsetting costs so there was no additional strain on the budget in order to obtain laptops that would actually work. They were able to get working units without placing additional strain on the financial position of the district because he took some obligations and transferred it over to the lease one and impact on the budget for the current and next year. He said if they voted "no" to that, those costs for the lease and equipment would still exist but they wouldn't have had functional laptops.

Director Leeson said another situation that comes to mind is the presentation about the fencing for Liberty High School which costs almost a half million dollars. If they were in this financial state, she thought at minimum they should have been told about their financial standing at the meeting. She said they need him to be forthright and come to them and say, "This is information that I want to share with you when you are looking at this decision" and then, let them decide if it is something that they need to do and allow them to ask where will the money come from and he could respond that it is over here tucked in this fund or there is a grant coming from that fund.

Mr. Majewski stated he hears what she is saying but he doesn't necessarily agree with everything said. To say that he has not been forthright or that he doesn't always communicate about the finances is not true. He said that what may be missing is what she is looking for in the communication and the manner by which he is providing it. He said he has communicated with the board and given great detail at times with regard to financial items. He has never attempted to lie or give them a misunderstanding about their financial condition. If he needs to change his method of communication then he will do so but he believed that he had always been honest and forthright.

Dr. Lewis attempted to interrupt the conversation and stated, "It is a metaphor of a perfect storm." The information in August is nowhere near as crystal as it is in November. He recalled that Director Leeson requested for projections and Mr. Majewski replied that he just cannot finalize it and cannot get his arms around it because he needed information from the Intermediate Unit and from PSERS along with utility estimates. They just received information on that today and did a detailed Excel spreadsheet. Dr. Lewis stated that in fairness to Mr. Majewski, it wasn't as crystallized at that period. He also brought attention to the fencing issue and said they were looking at building funds to underwrite that and emphasized that it was a different pool of money; one that, by law, he couldn't shift into general operating revenue. The argument could be made that they could pay down debt service but the budget impact would be minimal. He said that you look at whether it is brought forward as a project or not. He also noted that they received late billings and are still receiving late billings on charter schools. Frankly, whether it is right or wrong, and whether they philosophically oppose it, they allow them to take it out of the subsidy and everything trails months later. "If you didn't pay your bill, then we are going to take it off of your subsidy." He then has an adjustment to make to the revenue impact. Dr. Lewis commented that if one looks at the city or county budget and having knowledge about the mayor's announcement of a zero percent increase, he said it was driven by a special revenue occurrence which was a finalized agreement with Bethlehem Township, and so, other drivers existed. He is not defending the fact that they've got some hard homework and that it has to be done. We are going to do it. There will be some hard decisions for the board. There will be some programming decisions and have already identified several million. He said it may be hard to believe, and he is rounding, but \$3,000,000 is already on the table. They need to find how to balance the budget. They will ask the board for an early commitment to not exceed the index. He noted that Mr. Majewski built it on a 5.38 tax increase percentage. It is going to take a lot of introspective work but it must be done. Everything from electricity to retirement to intersystem payments to charter schools to excessive self-insurance account claims collectively hit the district.

Director Leeson stated that they understand the principals and assistant principals were asked to discontinue purchases.

Dr. Lewis replied, "No", and said that he signed requisitions today. He said he doesn't want that misrepresented because he was asked the question today at a faculty meeting and he is approving instructional materials without exception. In an allocation based building budget, when nine principals are given "x" number of dollars, then they will spend "x" number of dollars. They typically look ahead and for instance say they need a few cafeteria tables, which are very pricey. They can confer with Mr. Gilliland's department and investigate if the table is repairable. He is looking at the areas at this point in the year, which can influence the fund balance and assist in building it back up by not spending money.

Director Leeson asked if they have basically suspended the allocation based because of the difficulties they are experiencing.

Dr. Lewis replied, "With the exception of instructional materials."

Director Leeson inquired about the purchase of textbooks last year or the year prior. She asked if it was part of the problem.

Mr. Majewski replied that there was a certain amount of money in the budget and it was fairly clear as to what could be spent. There was insufficient money coming out of that department in order to fund the entire series so it had to be accomplished over a two-year period. There was no way that either Dr. Lewis or himself would agree to spend several hundred thousand dollars that was not budgeted so it had to wait.

Dr. Lewis added that the department being discussed had under budgeted that area.

Director Leeson stated that they clearly have some significant work ahead with a figure of 5.5 million dollars. She said they have indicated that they have started to look at some areas and considering that the next finance meeting is the budget meeting in January, she wondered if they should schedule another finance meeting to at least have a discussion on some of the issues before going to the budget.

Dr. Lewis asked for the opportunity to work through the next couple of budget workshops. He said he does not want to make any guarantees because they have just started to tear it down. If they need another finance meeting, then they will ask.

Director Dexter stated, "We as a board have to make the decisions. What do we need? We need candid information. What Mrs. Leeson and I are asking is how do we get the information? Should we have another meeting before the budget hearing because the budget hearing is mostly a presentation to us. If we need another meeting where we can have dialogue about budget issues and priorities, then maybe the board would need that."

Director Amato said "He doesn't understand why this is a big surprise to anybody. We all sat and put a budget together last year and knew we had to control costs. We couldn't even cut a Rifle Team or Driver Education Course out of the budget and now they are looking at cutting millions now. We couldn't even cut two simple programs. Director Leeson wanted to go to a zero percent increase but they still have to pay for this stuff. We just went ahead and okayed the budget but every time they get into what programs aren't paying for themselves, we can't even cut a Rifle Program and you're going to start to get into the real meat and potatoes. I want to see you guys do that. You'll have this whole community all over you. I understand that we now have a budget that says we've got some big hitters that happened and it really chewed into the fund balance, but we go through the budget process every year and there is stuff that needs to be cut and we can't cut it because you don't want to affect what we are giving the kids of the school district. The next thing is to raise the taxes to pay for all of this stuff. You can't cut a program that is as simple as Driver's Education or the Rifle Team and you are going to get into things that really have to be cut. I want to watch that happen next year."

Director Leeson responded to Director Amato that she thinks he knows as well as she does that if they go to a referendum, it will fail. She stated they are going to have to live within our budget of a 5.4 percent increase and do that or less in order to survive next year. She personally felt there are a lot of areas where cuts can be made.

Dr. Lewis asked if the board was available for a finance meeting on December 17th so administration can communicate with the board before the January 7th budget hearing. There is a regular board meeting on December 10th and they could tag a committee meeting onto that night if they would prefer.

Director Amato disagreed, stating that an entire night should be committed for discussion.

Director Dexter suggested an attempt to meet on December 10th and if they need additional time they could meet again on the 17th of December.

Director Koch inquired about working on the fund balance. She stated they want to see that increase.

Mr. Majewski replied that it will not happen in one year and said it will probably be a three-year plan where the first thing that needs to be accomplished is to obtain a budget where the revenue that is generated is equal to the expenditures without the need for any type of fund balance use. If you take a look at revenue and expenditure projections with current parameters, it could then put us in a position the following year where expenditures are decreased \$700,000 below projected revenues. The establishment of a reasonable fund balance will be a slow process and may take several years.

Director Koch stated that she doesn't expect that in one year they will see a \$10,000,000 fund balance but she would like to see it going up and certainly a zero fund balance is totally unacceptable.

Director Amato asked if they passed a balanced budget with a fund balance. He stated he hoped they would discuss the line items that are out of control on December 10th.

Dr. Lewis replied that they are going to come to the board on December 10th with their status as to how they were able to chip away at the deficit. He said he cannot speak to that tonight and will have no problem providing them with an update.

Director Amato asked if he would be able to sit down on December 10th and know where they are out of control with regard to each line item.

Dr. Lewis replied that they will have it for that given time period, but not beyond it.

Director Amato responded that he is only concerned with the present, from September to December. He wants to see if benefits are 2 million dollars out of control or if Buildings and Grounds are 15 million dollars out of control, then, they would know where they have to attack.

Dr. Lewis said the other pieces they will have are the programs that administration would recommend being cut which needs to be addressed.

Director Amato replied that the board couldn't even cut the Rifle Team or Driver's Education Program.

Director Dexter agreed with what Director Amato is requesting and asked that Mr. Majewski consider a new format to provide future quarterly updates. She said that she knows that the budget cannot be predicted with certainty, especially healthcare, but administration can tell them when it is out of whack because they really need to be continually advised.

Mr. Majewski replied that the format that they are very familiar with right now is the monthly expenditure reports by cabinet and he can add a column to include the forecasts and see where the budget is and where he is projecting it to be for that year.

Director Amato said they could be in November and say heating, electric and oil is “here” and we are ahead of budget but yet we know that the peak months are coming where it is going to triple. He wants to know what has happened to that line item that has gotten it to that point.

Director Leeson added that part of the issue was not just July until present, but it was the previous year. She inquired about the audited year and said she knew they normally get it in January.

Mr. Majewski replied that at present they are almost done with the state filing of the annual financials. He said it was expected to be complete before Thanksgiving.

Director Leeson asked if it could be viewed for discrepancies by category.

Mr. Majewski commented that the annual financial report is quite detailed and it would be advisable if he attempted to consolidate and categorize the information, accentuating the problematic areas of the previous year.

Dr. Lewis inquired about the order of the meetings.

Director Koch replied they can attempt to meet on December 10th and if they don’t finish completely, they can reconvene on December 17th.

COURTESY OF THE FLOOR:

1. Mr. Stephen Antalics, 737 Ridge Street, Bethlehem

Mr. Antalics referred to the gavel located on the table in front of Director Koch. He stated that he observed absurd pandemonium with everyone talking. He commented that the gavel is a powerful tool and has great control and keeps logic. He said that Robert’s Rules should run a formal meeting and as such the chairperson of the committee should recognize one person at a time. If anyone speaks other than that person then that gavel should hit the table until that person is recognized. He commented that it is an insult to the public to hear this from elected officials. He recommended using the gavel for future meetings.

2. Mr. Jim Kritis, 1904 Livingston Street, Bethlehem

Mr. Kritis directed his question to Mr. Majewski. He asked how much discretion does he have in the budget. He commented that with the federal budget, 80 percent is mandatory and 20 percent is discretionary.

Mr. Majewski replied that salaries, benefits and items related to contracts are not discretionary. He said discretionary supplies; conferences and those types of expenditures are a small fraction of the overall budget. It is probably less than five percent of the overall budget.

Mr. Kritis questioned if less than five percent of the budget is discretionary.

Mr. Majewski replied that it all depends on how one defines the word discretionary. Every job can be viewed as potentially discretionary and asked Mr. Kritis about his definition of discretionary.

Mr. Kritis said that whatever they are contractually obligated to pay such as the employees, the bus drivers, the teachers, and administrators. Those are obligations that cannot be cut. He thought there was a certain percentage of the budget, which is discretionary and said that should be the area of focus. He said in terms of the next meeting it should be an area of focus; otherwise they are going to be spinning their wheels if you are discussing things that can’t be changed.

Dr. Lewis replied that he is correct and they will be looking at discretionary spending first but they will also look at salaries as they might relate to programs that they can longer afford to operate. He said he doesn't want to put the cart before the horse but there is one support program that involves 25 teachers. He is not looking to RIF (Reduction In Force) teachers, but, through attrition, or perhaps absorption, creating a smaller intervention and saving significant salaries, which normally would be viewed as nondiscretionary dollars or fixed costs. There are some areas that fall into what some might consider fixed which are going to be suspect to review and perhaps adjustment or a cut. He told Mr. Kritis that he was correct in terms of discretionary but in school budgets it is about 70/30 or 72/28 percent so it is not quite as bad as federal and state budgets. One could say that we don't have to order textbooks, computers, or repair school buses instead of buying new for the year. Those expenses are what people typically consider discretionary expenditures. He said they are looking beyond the 70/30 or 72/28 percentage.

Mr. Majewski stated that he believed the number is not as high when looking at discretionary because they also factor in items such as utilities and maintenance and it tends to increase that number significantly. He said they are looking beyond the standard version of the discretionary account. With the present spread between their revenues and expenditures, they need to go beyond what would typically be considered discretionary.

Dr. Lewis added that there could be consolidation of administrative responsibilities. If an administrator were to leave, they could look at consolidation of their role as opposed to just simple replacement of that individual even though they might be attritional savings.

OPEN FORUM: Chairperson Koch thanked the administration for allowing the board to be first this time. She complimented everyone for concluding the meeting within a reasonable time frame. She asked if any board members would be able to attend a community service meeting, which will be held on Wednesday evening. She said she would give everyone a report on the status of the committee next week.

Director Leeson stated she received questions from Bloomberg and was hoping to get some answers.

Mr. Majewski said he is actively working on completing answers for all the questions.

Director Leeson asked about an update regarding the revenue generated from the stadium in addition to associated costs with consideration that they will be looking creatively at their money situation. She said she thought they should be seeing something coming fairly soon.

Dr. Lewis stated they would get a report. He said they were ahead of the curve but they are also paying down the debt. He said they are amortizing their debt and stated that Mr. Majewski has worked with Sovereign Bank to ensure there is no shortfall.

Mr. Majewski stated that he had some cash flow projections completed.

Director Leeson expressed her hope to have some funds to work with in the future. As they have to look critically at some things maybe they could look at other private sources of funding.

Dr. Lewis said that they needed to be cautious to not cross the line between the Lehigh Valley Business/Education Partnership responsibilities and the financial guarantee provided by Lou Pektor. The funds and the obligation to finance are private entity responsibilities with no direct involvement of the school district. Attempts to obtain funds from the LVBEP could create some issues. A thorough legal review should be made before requesting funding for the school district for purposes other than scholarships.

Director Leeson recommended an overview of exactly how it is structured.

Director Koch asked if there were any other Open Forum items.

Director Dexter stated that tomorrow night there is a Security Committee Meeting. She attended the September meeting but is unable to attend this meeting because of a conflict. They were very appreciative that a board member attended the last meeting so she wanted to inform the board in the event someone could possibly attend. She said the committee is composed of parents, teachers, and administrators and they discuss many issues associated with school security, gang issues and a potential policy related to the subject. She said it would be good if someone could get there to give input or listen to the discussion.

Dr. Lewis stated he thought that Director Craig mentioned he might be attending the meeting.

Director Koch adjourned the meeting at 9:25 p.m.

Minutes prepared by Donna Wenz