

**BOARD FINANCE COMMITTEE MINUTES
DECEMBER 10, 2007**

Members of the Board Finance Committee met on Monday, December 10, 2007, in the Auditorium of East Hills Middle School, 2005 Chester Road, Bethlehem, PA. Chairperson Koch called the meeting to order at 7:37 p.m. The following school board members were present: Mr. Rosario Amato, Mrs. Michele Cann, Mr. Joseph Craig, Mrs. Judith Dexter, Mrs. Irene Follweiler, Mr. Craig Haytmanek, Mrs. Charlene Koch, Mrs. Loretta Leeson and Mr. Eugene McKeon. Also in attendance were Dr. Joseph Lewis, Superintendent of Schools; Mr. Robert Gross, Associate Superintendent; Mr. Stanley J. Majewski Jr., Assistant to the Superintendent for Finance and Administration; members of the press and other interested citizens.

BUDGET ADJUSTMENT DISCUSSION – Director Koch stated that she believed the only item on the agenda is the discussions related to budget cuts. The board members received a report in their packets, which is up for discussion. She asked who would be making the presentation.

Dr. Lewis replied that he and Mr. Majewski along with the entire cabinet attempted to make the process easier by noting the responsible cabinet member in order to explain or offer information regarding the adjustments. He prefaced it by saying that some of the cuts are sensitive and they have received much related correspondence. They felt that they have relayed that correspondence to the board and would like to offer some explanation as to redesign of certain programs, the realignment of other programs, the relocation of some programs, and the reassignment of individuals. He said that none of those details have been confirmed. The purpose of tonight's exercise is to show the board, through the committee, that it is indeed feasible to produce a balanced budget and stay under the index and then subsequently request a vote of a resolution during the public meeting that would commit the district to staying under the index. He asked the board to refer to the document that was sent to them. They have provided a categorical listing of the adjustments. He offered to field questions or give them a brief highlight.

Director Koch requested that he initially review the items quickly and provide brief statements, with the board members holding their questions until they again review each item individually.

Dr. Lewis agreed and stated he would be referring to cabinet members from time to time.

- AA-Board Conferences - The first adjustment to conferences, which had been discussed as a board. They have reserved approximately \$10,000 for board conferences with a total savings of \$10,000.
- AC-Budgetary Reserve - Normally budgetary reserve is an amount held when they are involved in negotiations with a various group and it has not been determined, nor can they project what adjustments to salaries would be in a given group. There are no active negotiations at this stage for this particular budget year therefore the reserve has been cut. The only dollars that remain would be applicable to cabinet raises, which are decided upon by the board toward the end. There are more than ample funds to cover modest adjustments should they wish to award cabinet raises.

- AF-Building Staff - Dr. Lewis stated there would be a reduction of a principal if the board agreed to the Career Academy going into a university/provider relationship or to a third party provider. He said that Mr. Washington and Mrs. Katona have been dispatched to review a program with 20 years experience servicing alternative education students. There have been preliminary discussions with a local university.
- CA-Staffing - Mr. Gross stated that they have identified approximately eight of their elementary schools, which are operating with a very small class size in the range of 13 to approximately 19 students per class. If they followed the published annual class size guidelines, having 22, 24 or in some cases 26 students, they could essentially “not replace” up to 12 teachers at the elementary level, through attrition and staff member retirement. He said that while not necessarily ideal, they felt the class sizes are manageable and commensurate with neighboring school districts. By simply consolidating the classrooms, he believed they could gain over a half of a million dollars.

Dr. Lewis noted that none of the classrooms are located within high impact schools.

Mr. Gross stated that with the exception of one but it has been discussed with the building principal.

Dr. Lewis inquired about Welcome Classrooms.

With regard to Welcome Classrooms, Mr. Gross stated he worked with Mr. Majewski with the identification of positions, which are funded through federal and state grants, which would be another realization of approximately \$1,300,000 through the application of those grants in positions that had formerly been identified as coming out of their general operating budget. He said that Welcome Classrooms are specifically designed to acclimate children that move into the school district from different parts of the state, country or perhaps even from another country. They are in a very small class size and receive an intensified program of assessment to determine instructional needs and to perhaps participate in testing for specific placements and programs such as the ESOL Program and/or any kind of remediation program. They have identified three of the ten programs, which are under-utilized at two of the elementary schools. He stressed that they are not eliminating Welcome Classrooms but rather restructuring them to accommodate better and more efficient use of the facility and staff members. They felt they could net approximately three classes of the ten through consolidation and therefore again realize a staff savings.

Dr. Lewis stated that the Reading Recovery® program has also been a controversial issue. He reiterated that the change does not reflect a cessation of the program as some have reported. It has been something that they have asked Mr. Gross to review from both a staffing and research base. They are not ignoring the need for intensive intervention for a couple of hundred first grade students. He stated that NYU (the sponsoring university of Reading Recovery®) has embarked on a study to examine the ratio design and it suggests that some of the logic, which Mr. Gross has applied in his analysis, may very well be appropriate from their research and review. He reviewed that Reading Recovery® is a one-to-one program designed for the first grade student. They will present a conceptual framework as to how it might be redesigned. It is obvious that they would need to bring together reading teachers, Reading Recovery® teachers, the supervisor and the Assistant to the Superintendent for Curriculum and Instruction in order to have discussions involving principals and teachers as to how the redesign might take place.

Mr. Gross reiterated that it is not an elimination of Reading Recovery® but instead a redesign of reading intervention at the elementary level. He stated the current staff cost for the program, including benefits, is \$1,300,000. At present there are 18.4 instructors teaching Reading Recovery® in the school district. He reviewed that it is a first grade research based reading intervention strategy and said there is no debate whether or not it is effective. There are 82 teachers in the district who have been trained in Reading Recovery® strategies. They use 18.4 in an assignment. After a student has acquired a specific amount of sessions, the student is considered discontinued, meaning there has been some degree if not a total degree of program completion and “success.” The district’s completion or discontinuation rate, since 2002, has been in the vicinity of the least amount of students, 57 percent, to a high watermark of 59 percent of students having completed the program. He explained that it means that students are discontinued for a variety of reasons. One may be that they simply move out of the school system and another may be that they are referred for special education testing or evaluation services. He said they could be removed from the program for a variety of reasons. Mr. Gross referred to the handout and said the numbers speak for themselves with regard to special education placements after Reading Recovery® interventions have been completed.

Mr. Gross stated that last year in the 2006 – 2007 school year, the Bethlehem Area School District had 288 students serviced in the Reading Recovery® program. He noted that 59 percent of the students were successful in terms of their discontinuance with the program. Mr. Gross stressed that the data given to the board was taken from the annual Reading Recovery® site report that is forwarded to NYU on an annual basis for statistical research associated with all the school districts incorporating Reading Recovery®. If they were to apply the transiency rate in terms of the school district, which they know is in the vicinity of approximately 40 percent, about 70 students of the 173 who have successfully completed the program have since moved out of the Bethlehem Area School District. He said it is a significant point because one of the figures, which they were unable to uncover, was – ‘How many of the students were still with the district three or four years later.’ The best they could do at this stage of the game is to provide the overall transiency rate.

Taking the facts into consideration, he asked how they could maintain some degree of integrity and fidelity of implementation for Reading Recovery® in a more targeted fashion, but recognize and redesign the reading intervention strategies in the district? To not only address first graders but to also target all primary grades and move from there. He referred to the proposed conceptual framework, which Mrs. Katona, Mrs. Bast, Dr. LoFaso and himself reviewed for restructuring. Mr. Gross said that one of the points they were insistent on was maintaining the integrity of Reading Recovery® in the highest impact buildings. At a moderate impact building, they would maintain Reading Recovery® for the greatest and most severe cases but implement a Reading Intervention Specialist through the other primary grades as well, also looking at grades two and three student needs. He said to keep in mind that Reading Recovery® was only a first grade intervention program. Mr. Gross noted that they could take the best practices of the program and implement them into grades two and three along with other trainings to assist the struggling students, but they could not call it Reading Recovery® because of the trademark. He said they would use a Reading Recovery® model at low and non-impact schools if available, but, they would primarily use the Reading Specialists, where needed, to target first, second and third grade as well as fourth and fifth grades. He noted that at the present stage, it is only a conceptual framework. He noted the connection between Reading Recovery® and ESOL teachers moving directly to low impact and where and if available, to moderate and low impact schools.

Mr. Gross said it would be a targeted effort for their highest impact buildings to retain and then use a hybrid for moderate and low to no impact schools.

Dr. Lewis added that they are showing a logistical approach and not to argue that a program in its current state or redesigned state is the choice. As he and Mr. Majewski discussed today, as the processes become clearer throughout the next several months, if additional revenues become available, any part of the listed adjustments can be restored at the board's discretion. They are not suggesting that anything is "cast in stone" but that there is viability in terms of the design of the cuts.

Director Koch suggested moving on with list because she was sure there would be questions from the board about the proposed cuts.

Director Leeson asked about the overall proceedings. She was under the impression that they were having a finance meeting to better understand their current financial situation before they went into budget hearings. She said they are discussing Reading Recovery®, a program they have used for a number of years, which has been a primary source of intervention and said it is as if they are sliding changes in quickly. She said she wanted a lot of time and needed to hear both sides of the story before making a case along with ten or twelve other items.

Dr. Lewis replied that he guessed their direction was to demonstrate that they could provide a balanced budget. It was generated at the board's request on the Wednesday prior to the Friday mailing so the directors could have additional time for review. He said that he also expressed in his memorandum that the choices would be difficult.

Director Koch said that it would take a lot longer if they debate each one as they attempt to go along.

Director Leeson stated that she didn't want to debate any of them, and said she thought they needed to have a case on each one of them.

Director Koch asked if they could continue reviewing them and then pull them out if additional information is needed.

Director Leeson said that she thought the question on the table was if they could agree that they are not going to go to a referendum and not which one of these cuts are they going to make.

Director Koch said that this is how their administration is planning to meet that agreement.

Dr. Lewis added that it is one possible way.

Director Koch recognized that Mr. McKeon was seeking to communicate and asked if it could wait until the list is reviewed.

Mr. McKeon said that he would just as soon not go through it because they hadn't seen the budget and noted that there is a theoretical deficit.

Mr. Majewski replied that it is necessary through the Act 1 process. If they do not pass a “Not to Exceed the Index” Resolution, they will be required to adopt a preliminary budget by the regularly scheduled January board meeting. If that preliminary adopted budget exceeds the index, then, they need to go to referendum. If it does not exceed the index, then they will not need to go to referendum. They are attempting to take the opportunity to demonstrate that with the board’s agreement they can have sufficient cuts in order to pass a “Not to Exceed the Index” this evening. If they cannot accept some of the suggested reductions, then they will need to have the budget hearings as scheduled in the early part of January. There are two of them, in order to evaluate the budget individually and to be certain they can get it as low as possible. He reiterated that the budget must be reduced to under index, which would be in excess of 5 million dollars in cuts or go to referendum and take their chances with the voters.

Director Amato asked Mr. Majewski if they had to cut 5.4 million dollars in order to keep the budget from going to referendum and that is what is being presented tonight.

Mr. Majewski agreed.

Director Leeson said that she asked if the 5.8 million dollars necessary to balance the budget included the proposed cuts. She stated that Mr. Majewski said it did not include those cuts. She asked him if they have a tax increase and they go to the limit, would it cover the 5.8 million dollars?

Mr. Majewski replied, “No. In order to be able to come in under the index, they would need to cut in excess of 5 million dollars from the budget and still have a 5.4 percent increase in the millage rate. We need to do both.”

Director Koch asked if there was anyone present who thinks they don’t need to go through all of the items or discuss each item individually.

Director Follweiler stated that it is her opinion that what they want to agree upon tonight is that they stay within the limits of a potential increase so that there is no referendum. These are recommendations and suggestions. If they vote to stay within that limit, it doesn’t necessarily mean that these are the items that will be cut from the budget, but items will be cut from the budget. It will be up to the team, i.e.-the administration and the school directors, to determine what the new budget would become at later sessions.

Mr. Majewski added that if a “Not to Exceed the Index” Resolution is passed this evening; the process essentially goes on hold until the spring. He said that nothing that is done this evening regarding the resolution would require any action on the proposed cuts. Mr. Majewski noted that in spring, they will have more accurate information such as the assessments, state subsidies from the governor’s budget and additional information that will be incorporated, nonetheless, he fully expects the task will be to cut approximately 5 million dollars from the budget.

Director Craig stated that it seems the board wants to guarantee that they will not exceed the index. In his mind they should bring it to a vote, which would buy them time to come up with enough cuts in order to meet the necessary number. It would also allow them time to see the true financial picture by March or April as opposed to what it is at present. At this point, in good conscience, he can personally vote to not exceed that number. He doesn't need to review the list at present and said they will have ample time to go over it, make changes, and maybe add other things instead.

Director Leeson commented that she agreed with Director Craig but would like to add that she noted there were no cuts to the Athletic Department. She noticed intramurals but other than that there are no athletic cuts listed. She understood that they presently have full-time athletic directors and noted she loved them, but she recalled a proposal a few years ago, where a middle school level athletic director was added and thought the position maybe somewhat expendable.

Director Craig replied that there was always a middle school athletic director.

Director Leeson recalled that another position was added a few years ago and reiterated that they should look at areas that don't have an impact on the students.

Dr. Lewis added that it is fair that they look at other areas. He clarified that what was done this evening was only an exercise. It was not known for certain if it was attainable and they did not want to come in and say there is no way or that it could be easily done without having something on paper. They also knew that the cuts would draw controversy because they are a reduction in services, conferences, advertising, testing and time and said it crosses the gamut. However, he stressed that if there was something that they feel should not be lessened in the programming list, then, they would need to replace it with something else that needed to be reduced. Dr. Lewis said the index is not arbitrary but calculated and based on their relative wealth and aid ratio and on several factors which they believe in. He said they need to be fair not only to their students but to the taxpayer and are trying hard to stay under the prescribed state index and this is an exercise to show that they can.

Director McKeon agreed with Director Craig as far as not supporting anything in excess of the allowable index. He would be willing to begin meeting in January as opposed to waiting until March or April or as early as possible in the process.

Mr. Majewski replied that he doesn't disagree but at present there are still quite a few question marks with many of them on the side of revenue. The expenditures probably won't change much, with the exception of what the state is looking at with regard to the retirement system.

Director Amato agreed with Director Craig regarding the vote on "Not to Exceed the Index" but said they shouldn't go off the deep end. If they talk about athletics, then talk about cutting out all extracurricular activities and it does not make sense. They have a nationally recognized high school athlete who has won the High School Heisman, swimmers who have been nationally recognized, and bands in both schools having earned national recognition. He said there are items that should be cut because there is a lot of fat in the educational process, but they shouldn't go haywire.

Director Koch stated that she was a little confused as to the purpose of the meeting and asked Dr. Lewis to further explain it to her.

Dr. Lewis replied, “Just to ask you to proceed to the next level, which was a prepared resolution, as was said in our memorandum, to bring to the regular board meeting following this and that you would be supportive of the viability of that ‘No increase above the index’ resolution.”

Director Koch asked if it was the wishes of the board to discuss the items listed at a later date.

Dr. Lewis said it would absolutely be part of the budget process.

Director Koch asked if any board member objected to the plan.

Director Leeson commented that there were several items that she suggested they take more than just a cursory look at, and noted Reading Recovery® to be one of them. She also mentioned Career Academy and said they need to have a full appraisal of the programs with regard to where they are going with them.

Director Koch hoped to be able to hear more about the items that people have the most concern.

Director Craig asked if the subject could be discussed as part of the January Finance Meeting. He said tonight they should agree not to go over the number and then later discuss, peruse, and battle about it. He noted that there would be changes.

Director Koch asked if it would be acceptable to discuss it at the next Finance Committee Meeting. She asked if there would be enough time for the various departments to proceed in what they are doing to put the budget together.

Mr. Majewski replied that as he mentioned earlier, they have put a great deal of time into putting together a budget and noted they already have a document. For them to schedule a budget hearing is just a matter of setting a date.

Director Koch asked if it could wait until that time.

Mr. Majewski agreed.

Director Koch presented the item, “Not to Exceed the Index” Resolution. She stated a consensus of the board was necessary. Director Koch polled the board members and they unanimously agreed to place the item on the agenda for the following regular board meeting.

GENERAL
CONSENSUS
TO PLACE
“NOT TO EXCEED
THE INDEX”
RESOLUTION
ON AGENDA

Director Koch closed the meeting at 8:14 p.m.

