

BOARD FINANCE COMMITTEE MINUTES
APRIL 7, 2008
REVISED

Members of the Board Finance Committee met on Monday, April 7, 2008, in the Dining Room of the Education Center, 1516 Sycamore Street, Bethlehem, PA. Mr. McKeon called the meeting to order at 7:25 p.m. The following school board members were present: Mr. Rosario Amato, Mrs. Michele Cann, Mrs. Irene Follweiler, Mrs. Loretta Leeson, Mrs. Charlene Koch, Mr. Benjamin Tenaglia and Dr. Craig Haytmanek. Also in attendance were Dr. Joseph A. Lewis, Superintendent of Schools; Mr. Stanley J. Majewski, Jr., Assistant to the Superintendent for Finance and Administration; members of the press and other interested citizens.

FISCAL YEAR UPDATE – Mr. Majewski advised the committee that due to a downturn in the real estate market, together with outdated assessments, there could be an estimated \$2.6 million dollar shortfall in 2007-2008 expected revenue.

Much discussion regarding how this has occurred followed.

The question was asked why this wasn't revealed at an earlier date. Mr. Majewski responded that earlier projections were only estimates concerning expenditures. The revenue cycle prevents projections that may be more accurate from being presented much earlier than now.

Mr. McKeon asked what is the cycle of tax payments. Mr. Majewski identified the discount payment period dates, the installment payment period dates, the base payment period dates, and the penalty period dates.

Mrs. Koch commented that the sale of homes is down. She sees homes in her neighborhood for sale but no one is buying.

Mr. Majewski agreed that home sales are down, and added that refinancing has slowed, and real estate transfer tax revenues have dropped drastically.

In addition, real estate assessments are based on half the market value of a home. So if a home sells for \$100,000 the assessment is \$50,000. The last reassessment in both counties was approximately 15 years ago, and the market has changed values significantly.

Many major commercial properties are filing for Assessment Appeals due to the sharp drop in the common level ratio. If granted, the district stands to receive reduced real estate revenues from commercial properties as well.

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Mrs. Leeson stated she understood the whys, but wanted to know what can be done. What can be cut?

Mr. Majewski and Dr. Lewis explained that this is a multiple year problem and there is no quick fix solution. The district's fund balance has been used to help balance prior year budgets, keeping tax increases at a minimum, and there is now nothing to fall back on.

Mr. Majewski recommends that the board roll the deficit into next year's proposed \$178 million budget. The district is not like a business in that it cannot shut down operations. We must provide required services to students. We can either provide a reduced level of educational services or increase real estate taxes.

More discussion followed with regard to cuts for this school year.

Mrs. Leeson stated she would like to see a short term plan. Look forward from today. How are we going to attack the deficit?

Dr. Lewis stated that the administration will put together a plan and report back to the committee.

Mr. Majewski reiterated that the fiscal problem is complex and many variables are not within the district's control, therefore, we need to be prepared to wrestle with it for several years.

403b PLAN UPDATE— Mr. Majewski stated that the IRS has passed a regulation for 403(b)'s similar to 401(k)'s in which 28% of the BASD staff participates. By January 1, 2009, we must be in compliance with this regulation. The district currently has 31 companies providing 403(b) investment services. In order to be in compliance with the IRS regulation the companies must agree to participate by signing the ISA, (Information Sharing Agreement). Thus far only 12 of the 31 companies have agreed. The majority of our staff are using companies that have signed the ISA.

CIU 20 has assigned individuals to a committee that will create a Request for Proposal (RFP) and coordinate the activities needed to secure Third-Party Administrator, (TPA) Services. Once the TPA is hired they will work with school district personnel and bargaining unit representatives in developing the Plan Document and IRS Compliance Procedure. Mr. Majewski will update the board concerning these activities in May at the Finance Committee Meeting.

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INDEPENDENT AUDITOR SELECTION UPDATE – The agreement for auditing services with Abbott, Davidson, and Weiss ended on June 30, 2007. Mr. Majewski has written a Request for Proposals and, upon agreement of the committee, will advertise the request in the newspaper tomorrow. The proposal will be for the next three years.

Mrs. Follweiler asked the cost to advertise and was told it will be between \$1,500 and \$2,000.

Mrs. Koch asked if Mr. Majewski contacts other school district to ask who does their audits and was told yes, he does.

Mrs. Leeson would like a paragraph added to the proposal which requests a Pre and Post Audit Conference between the firm selected and the board. Mr. Majewski will add that verbiage to the proposal.

LEASE AGREEMENT – ST. URSULA’S/HOLY CHILD – Dr. Lewis stated that the administration has discussed several moves to avoid leasing Holy Child School for Fountain Hill Kindergarten children. The children could be moved to the Monocacy Building, with Special Education being relocated to the Education Center.

The Career Academy is looking at relocating to the Bethlehem Vocational Technical School if all sponsoring Superintendent’s are in agreement.

Due to time limitations, and the fact that the Career Academy move has not been finalized, it is suggested that the Career Academy will move to Monocacy.

Suggestions to move the Kindergarten class to Monocacy were discussed at length. There are many concerns regarding transporting the students from Fountain Hill to Monocacy. Some include the lengthy amount of travel time; parents will not have easy access to their children, and wraparound daycare accessibility. Dr. Lewis is recommending we continue with the leasing of Holy Child School.

Much discussion followed. Mrs. Leeson stated she would like to keep K-5th grades in one building, and asked if there was anything we could do. Another suggestion would be to put the Fountain Hill 5th grade class into Monocacy and return the kindergarten class to their home school. Mrs. Leeson stated we would save \$79,000 if we did this.

Dr. Lewis stated that 5th grade has much higher discipline problems and has five or six sections. Kindergarten has two full-time and four half day classes and only needs four rooms.

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Discussion continued regarding the relocation of the Kindergarten class.

Dr. Lewis stated that this will be discussed at the next Cabinet meeting.

NORTHAMPTON COMMUNITY COLLEGE BOARD OF TRUSTEES

VACANCY - Mr. Majewski advised the committee that Mrs. Koch's term on the Board expires June 30, 2008. The district needs to make a nomination. Mrs. Koch has agreed to remain on the Board for another term.

Mrs. Leeson nominated Mrs. Koch, and the remainder of the committee agreed. Northampton Community College will provide a formal ballot for all nominations on a future agenda.

NORTHAMPTON COMMUNITY COLLEGE PAYMENTS – Mr. Majewski presented a proposed schedule of 12 monthly payments to be made to the college. This has been the practice for many years as opposed to making one annual payment.

The committee agreed to place this item on the Regular Monthly Meeting Board Agenda for approval.

COURTESY OF THE FLOOR - Mr. Steven Antalics stated that he has checked with the Department of Education regarding mandated programs. Physical Education is a state mandate. It is done within the school day, i.e., 8:00 a.m.-3:00.p.m. Anything outside of the school day is considered extra curricular activities, and is not state mandated. He believes extra curricular activities can be cut from the budget.

OPEN FORUM – Mrs. Koch thanked the committee for their support for nominating her to fill the Northampton Community College Board of Trustees Vacancy.

Mr. McKeon adjourned the meeting at 9:15.p.m.

Minutes prepared by:

Adele Embardino, Confidential Secretary to the Assistant to the Superintendent for Finance and Administration.