

**BOARD FINANCE COMMITTEE MINUTES
MAY 5, 2008**

Members of the Board Finance Committee met on Monday, May 5, 2008, in the Dining Room of the Education Center, 1516 Sycamore Street, Bethlehem, PA. Mr. McKeon, Chairperson, called the meeting to order at 7:43 p.m. The following school board members were present: Mrs. Michele Cann, Mrs. Judith Dexter, Mrs. Irene Follweiler, Mrs. Loretta Leeson, Mrs. Charlene Koch, and Mr. Benjamin Tenaglia. 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 stated there was not much of an update in changes for revenue, however, there is some positive news in two areas with regard to expenditures. Projections for the teachers staffing account will be about \$300,000 less than was previously anticipated. Projections for debt service have been lowered to between \$500,000 and \$600,000 giving approximately \$1,000,000 less in the expenditure side. The projected deficit has gone from \$2.6 million to \$2.4 million in total.

Mrs. Leeson questioned the revenues, and asked for clarification. We are projecting a shortfall of \$4,000,000 in revenues. She asked if the general operating fund balance of \$1.6 million will be used to cover some of the shortfall. Mr. Majewski stated that she was correct. We are projecting a year end June 30, 2008, deficit of \$2.4 million.

INDEPENDENT AUDITOR SELECTION UPDATE – Mr. Majewski informed the committee that four proposals have been received for auditing services. The most favorable proposal was received from Bill Gorman & Associates. Reference checks with ten to twelve existing districts revealed Gorman & Associates to be extremely competent. Mr. Majewski is recommending Gorman & Associates be awarded the contract for auditing services.

Mrs. Koch inquired if any of the four proposals were from firms who had previously conducted audits in our district. Mr. Majewski replied that two of the proposals received were from past auditing firms. Barbacane and Thornton audited the district approximately nine years ago, and were replaced by Bob Davidson and his firm who have had the contract until June 2007.

Mrs. Koch asked if the recommendation was based strictly on cost. Mr. Majewski stated that the recommendation he is making is based not only on cost, but the quality of the firm. Gorman & Associates received no negative comments, and the districts that provided references felt he is extraordinary.

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Mrs. Dexter commented that Mr. Majewski gave an excellent presentation and answered all of her questions.

Mrs. Leeson commented that the recommendation is based on a face fee but there is an additional fee for the preparation of the financial statements. Mrs. Leeson requested that the fee for preparation of the financial statements be included on the recommendation.

Mr. McKeon asked if copies of the references could be provided to the board. Mr. Majewski will see that the board gets copies of the references this week.

Mr. Majewski stated that the recommendation as amended with the addition of the fees for preparation of the financial statements will appear on the May 19, 2008, Regular Board Agenda for approval.

SCHOOL LUNCH PRICES – Mr. Majewski is recommending that lunch prices be increased a nickel for the 2008-2009 school year. This also will appear on the May 19, 2008, Regular Board Agenda for approval.

PER CAPITA TAX COLLECTION – BERKHEIMER – Mr. Majewski stated that we currently contract with Berkheimer Associates to collect the Per Capita Tax for the district. He is recommending that we renew the contract for the 2008-2009 school year.

Mrs. Leeson commented that we just started using Berkheimer a few years ago. Mr. Majewski concurred stating that the district had mailed their own Per Capita Tax bills for a number of years,

Mrs. Leeson asked what our experience with Berkheimer has been. Mr. Majewski replied that the collection of the Per Capita Tax had the same type of return as with Berkheimer. The receipts of the district Per Capita Tax, in spite of our growing area, have declined, partially due to the aging population. We are getting more residents, but the larger population is aging and are reaching an age to be exonerated from Per Capita Tax. We will get approximately \$450,000 to \$500,000 a year in Per Capita Taxes no matter who is collecting it.

PROPERTY TAX RELIEF - Mr. Majewski informed the committee that the State has certified that there are gaming funds available and will be distributed to school districts for property tax reduction. These funds can only be used for property tax reduction. The money is not going to be coming in the form a rebate. It is for those who have approved Homestead and Farmstead properties.

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If you have a Farmstead property, you will be entitled to both a Homestead and Farmstead exclusion. We have 26,066 approved Homestead/Farmsteads in Lehigh and Northampton Counties. Based on the \$4.7 million the state is anticipating we will receive, it will be a \$181 property tax reduction for everyone who has the approved Homestead/Farmstead exclusion. The tax bill will indicate the normal calculation. There will be an area on the bill that will read Homestead, the exclusion will be listed, and then the net amount of the bill that is due. You will pay a net amount instead of the gross amount equaling a reduction of \$181.

If a tax payer has his/her taxes escrowed, they must inform their mortgage company to pay the net amount due. The board needs to vote whether they will accept or reject the gaming funds. The Solicitor will prepare a Resolution for board action.

PROPOSED BETHLEHEM AREA VO-TECH BUDGET - Mr. Majewski presented the proposed Bethlehem Area Vo-Tech Budget for the 2008-2009 school year. The Joint Operating Committee has approved this budget. This item will appear on the May 19, 2008, Regular Monthly Meeting Board Agenda for approval.

403b PLAN DOCUMENT UPDATE – The Request for Proposals, (RFP) for Third Party Administrator (TPA) Services has not been mailed out yet. The solicitor for IU 21 is reviewing this document. Hopefully, the final document will be generated in the very near future. There are at least eight TPA's that will be receiving the RFP.

409A PAYMENT ELECTION FORM – IRS Section 409(a) has to do with deferred compensation. If you are a ten-month employee and you have the option of being paid over ten months or twelve months, you would come under IRS Section Form 409(a). If an employee has elected to be paid over twelve months instead of ten months, the district would be required to charge an extra 20 percent Excise Tax to those employees, because it is being viewed that they are receiving deferred compensation. If the individual makes an election prior to the beginning of the work year to either accept payment over twelve months or ten months, they would be bound by that and not come under Section 409(a).

In the teachers contract, biweekly pay is written in so if the election is to be paid over ten months it has balance of contract. In discussion with the district solicitor, if they select the election by June 30, prior to the beginning of their work year, they are bound by that for the entire year. If they do not elect, or fail to respond to the election form, they will be paid over twenty-six pays. The election form was reviewed by the both the district's solicitor and the Bethlehem Education Association solicitor.

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If the committee is in agreement, this election form will be made available to the teachers in order for them to make the election. It will also be posted on the web.

Mr. Tenaglia questioned if they do not make the election then it defaults to the contract and they will be paid over twenty-six pay periods, then they are not subject to the Excise Tax. Mr. Majewski replied that this form takes away the concern of the Excise Tax.

COURTESY OF THE FLOOR – Mr. Stephen Antalics stated that the amount of monies due to delinquent real estate taxes to the school district is approximately \$2.8 million dollars. He contacted the district and the City of Bethlehem tax offices requesting information on who is delinquent. He would like a list of delinquent taxpayers published in the newspapers. He referenced the City of Bethlehem's collection of delinquent water bills by hiring a firm to do the collecting. Mr. Antalics suggested the district do the same and go after these "deadbeats."

Mr. Majewski stated that by law, the fees paid to law firms for collecting delinquent taxes may also be required to be paid to the counties for doing nothing. Using law firms to collect does not make sense.

In addition, the board has been informed that not all delinquent taxpayers are "deadbeats." There are many individuals who are delinquent for various reasons, ill health, loss of wages, they are not "deadbeats." Publishing their names in the newspapers would be doing them a disservice.

Mr. McKeon asked if the district is responsible for the collecting delinquent taxes.

Mr. Majewski replied that the counties are responsible for doing the collection. If the property goes up for Sheriff Sale, then it will be posted and becomes public record. Until that time it is a matter that is between the county and the individual.

Mr. Antalics asked how the City of Bethlehem's Water Department got around that.

Mr. Majewski stated that the Water Department does not come under the same laws as the district when it comes to collection.

Dr. Lewis stated that all delinquent taxes are eventually collected.

Mrs. Koch added that it takes up to three years to catch up with people who are delinquent.

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People having hard times are also not making their mortgage payments, and when it gets to a certain point, the house is sold. When the house is sold, one of the first things taken from the sale are the taxes.

Mr. Majewski verified what Dr. Lewis and Mrs. Koch stated is completely accurate. He added that looking at the current collection of taxes, if you add in the delinquent real estate taxes, it is approximately 100 percent of the billable amount of taxes.

OPEN FORUM – Mrs. Koch stated that at the Nitschmann Town Meetings it was stated that PSBA supported renovating buildings rather than building new one. Mrs. Koch called Tom Genzel from PSBA, and had a discussion regarding the article that suggested this. Mr. Genzel stated that would only be an option. Each school district is different.

Mrs. Koch referred to a letter that the board received, and stated that she was not in agreement with the process of how it was done. She is hopeful that in the future the entire board be included with any decisions regarding sending letters.

Mrs. Leeson commented that she appreciates the way the committees are formatting. Discussions at the regular board meeting go very smoothly as a result.

The meeting adjourned at 8: 16 p.m.

Minutes prepared by

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Finance and Administration