

**BOARD FINANCE COMMITTEE MEETING MINUTES
NOVEMBER 10, 2008**

Members of the Board Finance Committee met on Monday, November 10, 2008, in the Dining Room of the Education Center, at 1516 Sycamore Street, Bethlehem, PA. Mr. McKeon, Chairperson, called the meeting to order at 7:40 p.m. The following school board members were present: Mrs. Michele Cann, Mrs. Judith Dexter, Mrs. Irene Follweiler, Mrs. Loretta Leeson, Mrs. Charlene Koch, Dr. Craig Haytmanek, Mr. Rosario Amato, 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; Mr. Thomas Washington, assistant superintendent for human resources; Mrs. Anne Morton, assistant director of business affairs; Dr. Arthur Scott, president of Northampton Community College, members of the press and other interested citizens.

COURTESY OF THE FLOOR – None

NORTHAMPTON COMMUNITY COLLEGE BUDGET PRESENTATION – Dr. Arthur Scott, president of Northampton Community College, gave a powerpoint presentation of the 2009-2010 budget. The budget totals \$5,494,768, the district's share will be \$1,986.650.

At this time, since there were several members in the audience wishing to address the board, Mr. McKeon recessed the Finance Committee Meeting stating that it would reconvene after the Special Board Meeting.

Mrs. Leeson called the Special Board Meeting to order.

FISCAL YEAR UPDATE – Mr. Majewski stated, although it is early in the year, on the revenue side, the interest income is going to be light this year. Real estate tax collections, right now he is taking a conservative view. He expects that we are not going to be needing our real estate collection budget as it appears right now. We have gone through the base period. We still have to go through the penalty period. He does not know if the people who have not paid are going to pay between now and December. It does appear that we are behind our normal collection. He is interpreting that as either we are not going to be receiving the funds currently, or we will receive them late. There appears to be some slowness in receipt of real estate taxes that would not have been anticipated.

On the expenditure side, he has \$4.7 million dollars exceeding the debt service budget. He anticipates prior to doing any repairs there may be some additional bleeding in that budget. Whether it will come to the extent he has listed, that is to be seen. He is trying to be more conservative earlier in the year. He would rather overstate what the issues might be with the budget instead of understating them. He has been sitting down with Mr. Washington looking over the principals and teachers budgets. We have not had any strengthening.

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Mrs. Leeson asked how negative is the revenue going to be.

Mr. Majewski replied that real estate is an unknown at this time. He expects that we will be shy about \$1.2 million dollars which will likely be the majority of it. If the local economy weakens, we will have less EIT collections. He has factored this in. He is listing several hundred thousand dollars lower than budgeted. He is looking at the worst case scenario. He does not know how quickly the economy will deteriorate. He is trying to factor in the bad news early on in the year.

Mrs. Leeson asked if \$2.5 million was the amount Mr. Majewski is projecting the district will be shy on the revenue side.

Mr. Majewski responded that it is quite possible. He is certain about the weakness in investment income. He is cautious about the weaknesses in real estate tax collection right now. Because of the rising unemployment rate, he is showing a cautious outlook with earned income tax.

Mrs. Leeson asked how much Mr. Majewski was anticipating the district may be over on the expenditure side.

Mr. Majewski stated it is about \$1.6 million.

Mrs. Leeson asked if \$4.1 million dollars was the gap we needed to close right now if we wanted to balance the budget.

Mr. Majewski replied that he thinks it is a bit high at the moment. It is the worse case scenario.

Mrs. Leeson stated we are about 174 students lower than our projections. She asked if any adjustments in personnel have been made.

Mr. Majewski stated that we were off by 54.

Mrs. Follweiler asked with regard to codes, who reviews the allocation of each category?

Mr. Majewski responded that there are 22,000 different accounts. He explained the justification of which accounts are used for each expenditure.

Mrs. Follweiler stated that she expects the accounts are being looked at.

Mr. Majewski stated that there are several eyes that go on each of the budgets.

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Mr. Tenaglia asked how did we get to a Credit Acquisition Program that has a budget of \$27,700 for the year and \$55,000 has already been spent?

Mr. Majewski replied that the Credit Acquisition's budget is at a higher level than \$27,000. It should have never been budgeted at \$27,000. It was a mistake and needs to be corrected.

Mr. Tenaglia asked if there has been a budget transfer yet.

Mr. Majewski stated that he has not moved money for a budget transfer yet. It will be coming.

Mr. Tenaglia questioned the \$4,124,000 unreserved fund balance. He asked why it was not in parentheses.

Mr. Majewski replied that it is a deficit. In fund accounting revenues and expenditures must equal. We are showing the revenues and expenditures of fund 10 as being equal.

Discussion followed with regard to unreserved fund balance.

Mr. Tenaglia asked if we would have a better feel in January.

Mr. Majewski responded that in January he would provide more accurate revenues.

Mrs. Follweiler questioned if we have overspent our legal expense budget.

Mr. Majewski stated that we have not.

Mrs. Dexter questioned if Mr. Majewski's projections were correct and the district would actually have a \$7 million dollar deficit. What should we be doing as a district right now with that kind of a projection?

Mr. Majewski responded that the things we should be doing are the things we have been talking about for several months. We need to look at the expenditures we have. We need to take a look at program cuts or restraints in some of our spending. We need to continue that focus. As we are going through with budget development we should continue to look at additional cuts or a substantial tax increase. Cutting expenditures is not going to be the only solution to the problems. We will need to increase our revenue as well.

Much discussion followed regarding cutting programs now.

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Dr. Lewis directed Mrs. Dexter to page 3 which listed the debt service. There is a projected \$7 million dollar shortfall based on the current situation. We need to right the debt service situation. It is not an easy task.

Mr. Majewski stated that we have a multiple year issue. There is no way we will be able to fix this fund balance/deficit problem in one year. We need to continue to take a look at ways to lower costs and increase revenue. The economy is not working in our favor. We need to provide programs and services. We cannot close schools. We are required to educate our students.

Mr. Tenaglia stated that last month we had nothing in the unreserved fund balance. In one month we went negative \$4,000,000.

Mr. Majewski responded that last month there were no projections.

Mr. Tenaglia asked why we have a \$5,000,000 difference in employee benefits from last year to this year.

Mrs. Morton stated that it may be a timing issue with the way we book the expenses to the schools and other buildings for health care was done in October last year and is being done in November this year. The way our system operates we have one month open at a time.

Mr. Majewski stated it could be the timing of when we pay our Capital Blue Cross bill. If it hit at the beginning of the month instead of the end of the month, it could be doubled up. Mr. Majewski stated we are right on target. He has taken a look at projected health costs for this yea, and we are right on target with what we have projected. The board is looking at timing of payments. Mr. Majewski is looking at projections that he does regarding claims analysis.

Mr. McKeon asked if we have to have a special meeting to go over these recommendations.

Mrs. Leeson stated she does not believe a special meeting is needed. It can be done at a Finance Committee Meeting.

Discussion regarding where to begin making cuts ensued.

Dr. Lewis brought up going with private transportation. Mr. Majewski has been in contact with a smaller district's business manager. The savings are considerable. In year one, the savings was \$10,000,000.

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Another area would be athletic participation fees. If the board directs the administration they will put together a structure. Some sports are more expensive to operate than others. There will need to be options for students who cannot afford to pay a participation fee. There are two very wealthy districts that are doing participation fees.

In curriculum and instruction areas, Dr. Lewis would like to hold on those areas only in that if we are fortunate enough to correct the deficit situation these are very valuable and critical programs that might cost us in the long haul later in interventions and other programs for children we do not catch early on.

Mr. Majewski reviewed business office cuts. We have several buildings, if we shut down the programs that would be available for sale. We would no longer need to maintain them, and through the sale, they would provide revenue. The buildings are Rosemont and/or the Monocacy building.

The intersection of Freemansburg and Farmersville, we have fifteen acres of property there. It is not the greatest time for development, but it is an asset. A conservative amount of money would be three-quarters of a million dollars per acre.

The VIA/SPARK building is a newly renovated property, quite useable and in a decent location. We have invested \$2.6 million, and Mr. Majewski believes we may be able to recoup that. It is a very valuable property in that area of town. If we are looking at trying to get additional revenue those are assets we may sell if we eliminate programs.

Mrs. Follweiler asked if all the cuts listed in the memo have been made.

Dr. Lewis replied that with the exception of two items all cuts have been made.

Mrs. Follweiler asked if the items in yellow are what the board is supposed to agree to at this meeting.

Discussion followed regarding what additional cuts should be made.

Mrs. Dexter stated that we cannot afford to run the clubs for the remainder of the year.

Dr. Lewis again mentioned private transportation.

Mr. Majewski stated that we could not go with private transportation any earlier than the summer of 2009.

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Dr. Lewis stated that we could do an estimate.

Mr. Majewski stated we need to wait until the end of the contract with the teamsters.

Mrs. Leeson stated that on the transportation issue it is a one time savings.

Mr. Majewski stated that the problems we are looking at right now are not going to be ongoing year after year.

Mrs. Leeson stated that she loves the SPARK Program, but it is not our mission. When we start talking about charging for athletic participation; and clubs; and intermurals; and impacting some of the district's age group that they are committed to. SPARK is a very expensive program for the district. She does not like to impact the K-12 community which is the ones we are committed to serving.

Mr. Tenaglia stated that the administration is looking for the board's guidance on the highlighted items which are moving graduation, intermurals and clubs; and after school activities.

Mrs. Leeson stated she does not support the cuts for clubs and after school activities.

Dr. Lewis asked if the committee is okay with the cuts as proposed.

Mr. Tenaglia stated that he believes the board should vote at a regular meeting so that each member will be on record as to how they voted.

Dr. Lewis stated that another item which could be cut is band uniforms. Many wealthy school districts do not buy their bands uniforms.

Mrs. Dexter stated that in our schools the music is excellent. It begins in fourth grade as an academic subject and continues through twelfth. She does not see that we could cut band uniforms. She believes we could spread out the purchase cycle to save more money.

Dr. Lewis pointed out that there are two categories of expenses; mandated and not mandated. Economies are cyclic and right now we are anticipating a long-term economic slowing of revenue growth. We continue to update the list.

Mrs. Leeson stated that there is a lot more to look at in the athletic department. We need to look at the number of coaches for each sport. What are the equipment purchases in the sports programs? What are the uniform costs as well? We need to take a much harder look at the athletic program.

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EAST HILLS HARMONIUM ADVERTISING PROPOSAL – The East Hills Harmonium Program is proposing to generate revenue by selling advertising on the school’s web page. Examples of the advertising were reviewed.

The school directors applauded the school’s staff for their creativity and supports the advertising effort to generate money for the Harmonium Programs.

LEASE EXCEPTIONS – Two requests for lease group classification exceptions were presented to the committee for consideration and discussion.

It was agreed to process these requests as Class II not Class III organizations

403 (B) DOCUMENT – Mr. Majewski advised the board that the 403 (b) Plan Document will be on the November or December Regular Board Agenda and asked if there were any questions. None were asked.

OPEN FORUM - Mrs. Dexter asked if overtime paid to the Education Center employee was discontinued.

Mr. Majewski confirmed that overtime was no longer being scheduled or paid.

PUBLIC FINANCIAL MANAGEMENT - Mrs. Leeson asked if a financial restructuring was provided by PFM on school district debt, and if not, requested that one be developed and sent soon for discussion with the board.

Mr. Majewski responded that he and PFM are discussing the various options for bond refinancing daily and expects recommendations to be forthcoming from PFM quite soon.

The meeting adjourned at 11:35 p.m.

Minutes prepared by _____ Confidential Secretary to the Assistant
to the Superintendent for Finance and Administration