

**BOARD FINANCE COMMITTEE MEETING MINUTES
MONDAY, FEBRUARY 2, 2009**

Members of the Board Finance Committee met on Monday, February 2, 2009, in the Dining Room of the Education Center, at 1516 Sycamore Street, Bethlehem, PA. Mr. McKeon, Chairperson, called the meeting to order at 7:58 p.m. The following school board members were present: Mrs. Michele Cann, Mrs. Judith Dexter, Mrs. Irene Follweiler, Dr. Craig Haytmanek, Mrs. Charlene Koch, Mrs. Loretta Leeson, 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; Scott Shearer of PFM; members of the press and other interested citizens.

COURTESY OF THE FLOOR

Stephen Antalics of 737 Ridge Street Bethlehem, PA expressed his concern with respect to courtesy of the floor. He suggested having two courtesy of the floor forums. One early one late, to allow people to say what they have to say during the course of the meeting. Mr. Antalics wanted to make this comment after the facilities meeting with respect to transportation. The school district has the advantage because they are nonprofit. The company that has a profit motive will have increased costs. If you feel that the agency in the school district is inefficient, then you have reason to look outside. Ask them to come up with some level of costs that would be equal to a privatized company. If Mr. Himmelberger is doing a good job and everyone seems to agree that he is, why go outside?

Diane Condimitti of 2112 Johnston Drive, Bethlehem, PA said she was wondering when you request the proposal, whether it was going to include the outsourcing they do now with the LANTA and Jennings transportation. Are the proposals that you are going to get from companies going to include the LANTA and the Jennings route that right now we can't handle? She asked could the RFP please include the ratio we have now for mechanics to buses.

Carole Schachter of 714 14th Avenue, Bethlehem, PA said she would like to add her voice to RASA. I have to say that the program at RASA is truly unique and addressing the needs of our academically at risk students. It's not just the team approach and smaller classes. It's the size of the overall program that enables us to have a tremendous sense of family. We have students who have joined us in September of 2006, who were reading at a first grade level and below. I am very pleased to say that nearly half of those students scored at or near grade level at this last testing. RASA students are BASD elementary and secondary students. It is our responsibility to educate them to the best of our ability. RASA has given previously unsuccessful students a new start in a new place, which truly gives them a chance to start over again. This program is working, and I am deeply concerned about the possibility of it not continuing. I hope that the board recognizes the urgent need for RASA, and that you continue to support our efforts.

**BOARD FINANCE COMMITTEE MINUTES
MONDAY, FEBRUARY 2, 2009**

FINANCING RESTRUCTURING UPDATE

Mr. Majewski turned the floor over to Mr. Scott Shearer who had a presentation for the board.

Mr. Shearer provided a refreshed hand out that had basically the same information from last week with a few additional slides. He stated that coming into the new year we were getting some positive signs that the market is turning around a little bit. As part of the discussion tonight you'll notice that the variable rate bonds totaled \$140 million in bank bond mode, which typically has the higher extremes and some other unfavorable provisions. That number has come down substantially by \$100 million, it's now close to \$40 or \$45 million. We are hopeful that a little bit more of the bonds will get out of bank bond mode and into regular remarketing mode. The variable rate market is working a little bit better than it was last year. Another piece of good news is that the traditional fixed rate bond market has also opened up again. On page three of the hand outs there are two key issues that must be addressed. The first deals with the 2003 bonds or the West Cornwall Bonds. We got great news in mid-January, that it's no longer a bank bond but we knew the inevitable was coming soon, and that Dexia was not going to renew their liquidity commitment. Dexia is not writing any new municipal commitments. Those commitments that are currently on the West Cornwall bonds expire May 23. Mr. Shearer stated that there is a timeline that we have to hit in order to do something about this. The second issue that needs to be addressed in the very near term is the Shippensburg Authority costs; a little under \$40 million with bonds currently outstanding. This is the one series with the majority of bonds in bank bond status, about \$32.5 million. Early acceleration is a concern with bank bonds. It will have a substantial strain on the budget. He noted that the best case scenario is that between now and then, the remarketing agent is able to find buyers so the bonds get out of bank bond mode. We don't need to do anything he said. We can keep evaluating and if we stay in bank bond mode then we will definitely need to do something. Mr. Shearer went on to explain the illustration and information on the next several pages. To make it clear you have four variable bond issues outstanding, they all have Dexia as their liquidity facility. The solution for the Wells Cornwall is to refund the 2003 bonds with traditional fixed rate bonds, the most conservative one you can get and also make a swap termination payment at that point as well. Mr. Shearer explained that the alternative costs on page seven would be much higher. There is an estimated timeline for a bond sale on page six. Page eight has a quick illustration of what this 2009 restructuring/refunding of the West Cornwall bonds option would look like, after we do all this and pay the termination amount.

It does not have a large impact on the district's overall budget. We are looking at this very hard and recommending the board consider it. It eliminates about \$72 million of interest swap exposure and variable rate exposure.

We don't need to do anything with the Shippensburg issue. There are no longer any bank bonds, so we don't need to do anything. We are proposing to refund the Shippensburg bonds with a short-term two year bank loan. That will refund the Shippensburg bonds, and eliminate their early acceleration. We'll plan the bank loan settlement prior to early April when early acceleration starts and also simultaneously enter into a forward purchase contract to refund that short term loan with a long term bond issue after three

**BOARD FINANCE COMMITTEE MINUTES
MONDAY, FEBRUARY 2, 2009**

years. You do not need to terminate the swaps associated with this bond issue. This has two interest swaps associated with it.

Mr. Shearer elaborated on the illustrations on the following pages that demonstrated what things would look like if we did nothing, and allow early acceleration.

Mr. Shearer provided an update on the 2005 and the 2007 bonds and said when you look at the performance of the bonds, and you look at the two swaps associated with each bond issue, your overall costs of funding that come down substantially below 5 percent.

Mrs. Leeson asked if swap termination payments are connected to the market and are there any penalties for terminating a swap?

Mrs. Shearer replied that it is basically a transaction cost. He set the following example. If we said the Bethlehem Area School District wants to terminate, that means they have to terminate whatever contract they have and because we are still low, they are going to take a substantial loss. Mr. Shearer explained that this is not a fee. It is more of an investment loss or a contract loss because they have to remove the hedge from their books.

Mrs. Leeson questioned if Mr. Shearer had said earlier that there was an assumption of four percent with the fixed rate bond issue on page eight.

Mr. Shearer replied yes, and brought her attention to column four on page eight. This is the new restructuring of the West Cornwall transaction and what it would look like including the swap termination. It's a hair under four percent.

Mrs. Leeson stated that the way we are structuring this is we are showing that we will have a potential gain of \$73 thousand. I also see that by 2023 we'll have a pretty good bump that we will have to account for.

Mr. Shearer stated that the existing Cornwall bonds end in 2021-2022 fiscal year. What we are doing is actually stretching this out about two years to the 2023-2024 fiscal year. This will allow us to amortize a little bit more of that debt. That's not a \$1.2 million blip that you are going to see at that point.

Mrs. Leeson asked if we were to even this out a little more what would that cost us long term?

Mr. Shearer asked Mrs. Leeson to look down the present value column. He stated those are your costs of doing this. Remember initially we had a very low swap rate locked in over 3.8 percent. We are comparing it to the existing swap rates plus the ongoing administrative fees. That option is pretty much gone with the liquidity facility so here's the alternative.

Dr. Lewis rephrased Mrs. Leeson's question by asking if you kept that level what would be the compounded benefit to the bottom?

**BOARD FINANCE COMMITTEE MINUTES
MONDAY, FEBRUARY 2, 2009**

Mr. Shearer replied it would be a small amount. It's something we'll look at.

Mrs. Leeson commented that she understand that overall there is a cost and I understand that we are leveling the cost down and I also understand that this right now is probably our best option, getting the fixed rate. I saw your analysis on the other 2007 notes and why we are not going fixed rate but I also saw there was an assumption of a \$10 million swap termination and we have an assumption of a \$12 million on a \$86 or \$87 million issue. Why?

Mr. Shearer replied that it is how the swap is calculated. It has to do with the swap rate that we'd be terminating. The swap rate on the West Cornwall 3.8 percent the swap rate on the Shippensburg is 3.77 percent. The structure of the West Cornwall transaction was pretty short it is kind of a compact deal. The Shippensburg and a lot of the other ones are much longer. Those municipal rates have not come down as much. It's a mixture of the swap rate we are terminating and the structure of the transaction.

Mrs. Leeson asked with regard to the Shippensburg issue, are we doing the two actions at once?

Mr. Shearer replied yes, you have to for state purposes. That allows us to not have to terminate the swaps. We basically transfer the swaps over to the new arrangements and that is fine for state purposes and the IRS.

Mrs. Cann questioned what's happening in those two years, the district owns the bonds?

Mr. Shearer replied that the Shippensburg bonds are totally gone. The two-year bank loan and all the proceeds of that would go to refund. You would have a two-year bank loan with Wachovia and then at the two-year mark the other for purchase contract would come in. You would have to issue the new bonds then refund out of that other bank loan.

Mrs. Cann questioned if the only debt service we are paying in those two years is on the two-year loan from Wachovia.

Mr. Shearer responded that it would be the 3.77 percent plus the potential mismatch between what you are receiving from the swap counterparty and what you are paying to Wachovia.

Mrs. Cann asked what don't we have to pay in those two years? What goes away?

Mr. Shearer in clarification stated that the key thing that happens is that you do not have to pay the \$10 million a year for the early acceleration for the Shippensburg bond. That is really the driving force behind this issue.

Mrs. Cann commented that she wanted to make sure that she understood. If we didn't do this, and it wasn't accelerated would our debt service be the same?

Mr. Shearer responded by saying you know how you have the mismatch with the variable rate bonds are trading higher than what they should be, and what you are receiving on the

**BOARD FINANCE COMMITTEE MINUTES
MONDAY, FEBRUARY 2, 2009**

swaps does not offset what you are paying on the bonds. The mismatch falls between 300 basis and 400 basis points. This gets that mismatch down to like 130 basis points or so. It's going to have your costs of funds a little bit less than 5 percent.

Mrs. Cann stated that when you add to it the interest on the Wachovia loan, we are kind of around where as if none of this never happened.

Mr. Shearer stated that you must remember you are still never going to be perfect. Those swap rates when they were working and you had the good liquidity facility your cost of funds was very low. Those days are behind us now. You have these other factors happening where you have to do something else and now the point is to try to get your new costs of funds as good as possible. It won't be as good as it was but there is less risk associated.

Mrs. Cann commented that compared to what we are paying today we are not paying more by adding in the Wachovia interest.

Mr. Shearer responded that, you are actually paying less.

Some discussion followed

Mr. Tenaglia questioned the combination of the outstanding issue, \$72 million, and whatever the termination fees take, which takes us to \$87 million. The district also anticipates having some of the funds this calendar year.

Mrs. Shearer responded that is correct.

Mr. Majewski also agreed. We will need somewhere between four and five. The financing was acquired for Freedom, Liberty as well as Broughal. The Liberty project will be paid in full and the remaining funds left in all those pots will be used for Broughal. Your shortfall would be \$4-5million and Liberty will be fine.

Mr. Tenaglia asked what about Northeast?

Mr. Majewski stated that if we are looking at razing Northeast now you're looking at \$10 to 12 million.

Mr. Tenaglia asked why don't we just add that on to this? The swaps are a fixed rate and it would save us from having to go to market twice.

Mr. Shearer responded that if you do have new money for the West Cornwall issue then that would be the time to look at that.

Some discussion followed

Mr. Tenaglia stated that if at the end of the two years the world is different than we know it now, what obligation are we under with Wachovia?

**BOARD FINANCE COMMITTEE MINUTES
MONDAY, FEBRUARY 2, 2009**

Mr. Shearer replied for the forward purchase contract we are going to make sure we have the right of termination by the school district.

Mr. Tenaglia commented that the only reason we are going to this structure is to avoid the swap termination cost on the Shippensburg issue because you still haven't changed your long term banking regarding the roughly 75/25 percent.

Mr. Shearer replied that's correct

Mrs. Leeson questioned on the RBC and the bank bond status. I know RBC will take some of these bonds and they said their desk is full. I'm curious if we could get it out for a week out onto their desk, and get the clock ticking again if we don't have a buyer. We are talking about \$40 million.

Mr. Shearer said we are not seeing them do that, because of the strain with the financial institutions at this time. We are not seeing the remarketing agencies say we'll take it for a week and give it back to you.

Mrs. Dexter asked where do you see us saving money on fees?

Mrs. Shearer responded that you have my fee proposal and that is on an hourly basis. And that would be built into the bond issue. As far as the proposal from your bond counsel, I think his was hourly but then I think there was some kind of cut fee. Part of our job is to look at all the fees and see if things are out of line or not.

Mrs. Dexter stated that it's not an issue of who is out of line. I want to know can we negotiate these down because we don't have the money to pay the fees that would normally go with this. If a transaction would result in a \$50,000 fee to the attorneys but hourly would be only \$10,000, who is the agent to try to negotiate that down. Are you that person? Is Mr. Majewski that person? Is Dr. Lewis that person?

Mr. Shearer commented that he is definitely that lead person. I'm the first line of defense and then after that it would be the administration or the board. As far as the fees, bond insurance is going to be one of the large ones. Currently, there are two insurance companies. At some point by the end of March early April there will be only one. Their fees are somewhat negotiable. They have their standard formulas that we are able to negotiate, to a certain extent. We have a little negotiating room with the insurance companies. We have a little negotiating power with the insurance company but not a tremendous amount. We have more negotiating power with the underwriting company. There are some fees that are set in stone. There's no way they are going to drop. Those that are negotiable, we look at closely.

Mrs. Dexter asked what do you need from this board or from this district in order to negotiate these fees?

Mr. Shearer responded I don't think I need anything it's part of my normal responsibilities.

**BOARD FINANCE COMMITTEE MINUTES
MONDAY, FEBRUARY 2, 2009**

Mrs. Dexter questioned how the board would become aware of what the fees are going to be before authorizing the transaction at the board meeting?

Mr. Shearer said they would be provided to you prior, in the weekend package so you'll have them ahead of time.

Mrs. Dexter commented that several times during the presentation you said "we" who is we? Is it you and other colleagues?

Mr. Shearer replied yes. It's a group of us who look at things together. By we, I mean PFM collectively.

Mrs. Dexter asked if the recommendations that came to us tonight were from a team of financial advisors or are these personal recommendations?

Mr. Shearer responded they are both. They start off as my personal recommendations and then I work with some of my other colleagues and come up with an ultimate plan.

Mrs. Dexter asked whether there were any people on the team that said I don't think that is a good idea. I don't think that is the way to go. You're off target.

Mr. Shearer responded no

Mrs. Dexter asked would you say there was consensus with PFM.

Mr. Shearer replied yes, absolute consensus.

Mrs. Dexter asked Mr. Shearer did you change your mind about any of these recommendations.

Mr. Shearer replied we are always looking at all the options because in this market things are changing on a daily basis. Ideas are not set in stone and plans are not set in stone. No, I have not changed my opinion on this.

Mr. Tenaglia questioned the replacement issue for West Cornwall, specifically the 09 fixed rate issue. Would you recommend a competitive issue or a negotiated deal?

Mr. Shearer explained that in this market right now for this size deal, I would not recommend a competitive sale. We do a lot of competitive sales. It's one thing we are known for. I have to do what's best for my clients. I'm not going to lead you down a path that at the end of the day, it's not going to get you the best results. If this was a five year deal for \$10 million, I would recommend a competitive sale for this kind of transaction. It's going to take the underwriters several days to do a lot of remarketing of the bonds and spend a lot of time to find buyers. It's not the right environment to do this on a competitive sale.

Mrs. Leeson stated I have been here through a number of financial transactions and I can't tell you how much I appreciate the time, the effort and the detail that you go to.

**BOARD FINANCE COMMITTEE MINUTES
MONDAY, FEBRUARY 2, 2009**

The way you answer our questions and make sure that we understand what we are doing. I really appreciate all the work that you are putting into us.

Mr. McKeon asked how are the Constant Maturity Swaps (CMS) numbers looking.

Mr. Shearer replied that they are working well right now.

Mr. McKeon questioned the accelerated amortization taking place. Would you make the same recommendation if we were not faced with that?

Mr. Shearer stated that if you were in the same position as the 2005 and 2007 bonds I would say let's continue to wait continue to monitor.

Mr. McKeon asked does anyone else have any questions. Shall we take a consensus poll?

The board was polled and the item was approved to be placed on the agenda.

Mr. Shearer stated we'll get the team going for these two transactions look at the timing and possibly be ready for your Feb 23rd meeting.

Dr. Lewis asked if there was any interest in the Mr. Tenaglia's suggestion whether we want to look at covering the Broughal shortfall because we are going to have to address that sooner or later and we could save some fees but wrapping this in, is there any interest?

Mr. Shearer indicated that we won't need to know that for another month if you are going to be adding new money.

Dr. Lewis stated that as long as the board is cognitive that a decision is needed soon.

Mrs. Leeson commented I would like to add the least that we possibly can. I will not be looking at an expansive amount of money.

CAPITAL RESERVE FUND UPDATE

Mr. Majewski referred to the sheet that was provided in your packet. He stated that there was no activity since the last time we presented an update. The fund balance as of January 27, 2009 is \$1.379 million.

Mr. Tenaglia stated that the capital reserve fund seems to be a little bit elusive in that we don't see the budget, and I wonder why that is. Is the capital reserve fund included in the account analysis in the treasurer's report or is there another separate and distinct capital reserve fund like there is for 2007A bond fund.

Mr. Majewski There are two separate questions. It's not part of the budget because with fund accounting it is required to be kept separate. What the budget incorporates the general operating fund. This is not considered to be general operating fund it needs to be separated and maintained as its own account. To answer the funding we do not have a separate account or a single place where this money is invested it is co-mingled with the

**BOARD FINANCE COMMITTEE MINUTES
MONDAY, FEBRUARY 2, 2009**

other funds so that we can invest them throughout. The interest is allocated based upon the outstanding balance.

FISCAL YEAR UPDATE

Mr. Majewski commented that the revenue has not strengthened since we spoke last. In fact there is considerable ongoing weakness in that area. The real estate taxes should be all completely booked and there will not be many changes from now to the end of the year. The only way there will be any changes will be on a negative side as a result of any type of refunding. I don't have anything pending so I believe that the receipts are fairly stable. There is earned income tax since last I spoke to you that have improved somewhat so my numbers reflect improved activity. The investment income is still very slow and I don't expect that to improve. On the expenditure side one of the changes that was an improvement as we heard, was that the cost of our debt service based on our earlier projections has now come down. Instead of having the mismatches we had in September, October, and November. Now, we are practically to breakeven as to what we had budgeted on a weekly basis. We are probably \$30,000 off but that is far better than where we were before. Therefore looking at a projection for the end of the year. I knew we were at about \$4.8 million, potentially, as a deficit. Combine that with the \$3.1 million or 3.2 million deficit from last year and potentially, as of June 30, 2009, you have a combined deficit of about \$8 million.

Mr. McKeon commented that intramurals were projected at spending \$72,000. That does not look like it reflects the \$40,000 projected cut for the year. The benefit on the program code GD was showing a projected deficit of \$1.1 million. Do you know what is driving that?

Mr. Majewski responded that it appears that some of the health benefit costs were staying at a level higher than was anticipated. When I would use those higher costs it did indicate that potentially, if that would continue that there would be a deficit in the budget.

Mr. McKeon questioned what are we as a board doing overspending our piece by \$62,000?

Mr. Majewski stated that legal costs have been higher on average every month than they have been since I've been here.

Mrs. Leeson asked are all legal costs costive to the board.

Mr. Majewski responded yes.

Mrs. Leeson asked we don't separate the costs to the department that the services are coming from?

Mr. Majewski replied that within the board category, there are ways to identify Special Education related costs and costs for tax appeals. There will be some breakdown, but all of those costs are incorporated under the board cabinet code.

**BOARD FINANCE COMMITTEE MINUTES
MONDAY, FEBRUARY 2, 2009**

Mrs. Leeson asked if the board could please get a list of the amount of money going to each of those different areas.

Mr. Majewski replied that he usually tracks about five or six different areas that being general will include the retainer and other costs. We'll show special education, student discipline, personnel, labor related costs as well as those for tax appeals. I can provide how much we spend from year to date on those areas.

Mrs. Leeson asked could you also provide some of those same costs from last year to date?

Mr. Majewski replied that would easy to reproduce because we had gone through that exercise and I already have that captured.

Mrs. Leeson questioned if we are looking at about a \$5 million revenue shortfall

Mr. Majewski replied that won't be a revenue shortfall that will be the further reduction of our fund balance.

Some discussion followed

Mr. Tenaglia asked would you prefer questions related to revenues on what you are reporting on this sheet as opposed to what you had before in the budget would you prefer those questions now or will you leave them for the budget hearing.

Mr. Majewski replied if we are looking at discussion on the budget related questions we probably should do them under the budget because there will be this other discussion on revenue and expenditures just related to the 2009-10.

Mr. Tenaglia stated I'm looking at the realized numbers ending 2008. I see some discrepancies between what you are showing us in column F verses what we are seeing on page 5 of your Feb 2nd draft.

Mr. Majewski stated this document was created before we were looking at year-end. The budget process had started back at August and September so those numbers were the ones used at that time. What you have here has been updated to reflect the audited activity.

Some discussion followed

Mr. McKeon stated that he noticed under spending in the custodial area of \$1.3 million.

Mr. Majewski replied that is the maintenance not the custodial. We've had a favorable year with utilities to the tune of \$300,000 under budget with natural gas and electricity is probably well under budget as well.

**BOARD FINANCE COMMITTEE MINUTES
MONDAY, FEBRUARY 2, 2009**

**Agenda Items for February 23, 2009, Regular Board Meeting
D. Polling Places**

Mr. Majewski stated that Northampton County has informed us that they would like you to approve the polling places they have identified with exception to one. It is essentially the same it was last year. They are Spring Garden, Miller Heights, Governor Wolf, East Hills, The Education Center, Marvine, Miller Heights, Farmersville, Asa Packer and Hanover. The one area that is still being reviewed is the former Liberty Freshman Campus. I've asked them to work with the principal at Northeast right now to take a look at that as a site because long term that location won't exist. Based on the list that I just gave you, that is the only one that won't exist.

Mrs. Leeson asked with polling places can we make sure that our buildings remain secure while people are in and out for polls.

Mr. Majewski responded yes.

Mr. Tenaglia commented we say that but since I've been in the district elections at Hanover have always been an issue with building security.

Dr. Lewis asked, how has it been an issue specifically Mr. Tenaglia?

Mr. Tenaglia stated there is no security. They go into that multi purpose room. They're not allowed to have armed personnel there. There's no physical barrier for somebody having access to Hanover during the election and being able to access the rest of the building. At the same time they have facilities across the street at the community center that they use sporadically as another polling place.

Dr. Lewis stated that we have asked them to consider both.

Mr. Majewski commented they were very seriously considering the community center however there has been quite a turnover in that office right now and that has gone from a review that appear to be moving across the street to nowhere.

Mrs. Leeson asked can't we set a table with someone sitting there during that day to make sure there are no wonderers. Most of the people are interested in going in voting and leaving.

Dr. Lewis commented I think at one point we had a table there with a bake sale.

Mr. Majewski stated depending on the site and the person who is responsible for the polling place, it's either easier or more difficult to that do not want the PTO people in that area while they are conducting the voting.

Mrs. Leeson stated I think we should look at our schools and at least talk to our principals and see if we need to set up additional security in that area.

Dr. Lewis mentioned we do have a meeting set up. I think that Hanover is the only one that they have a clear shot at.

**BOARD FINANCE COMMITTEE MINUTES
MONDAY, FEBRUARY 2, 2009**

Mr. Majewski said yes I think that is.

Dr. Lewis stated that they will revisit that.

E. Budget Transfers

Mr. Majewski stated there is one item that is going to be on the agenda. It's for Freedom High School they need to move some within their own budget to purchase Study Island.

Open Forum

Mr. Majewski commented there is one item a suggestion had come about to take a look at four abandoned Catholic schools or the churches. I informed you that we are doing some research on those. The four properties have been identified. I took a look at the tax exempt assessed values on those properties and I have that information. Whether or not there is an interest in pursuing getting their status changed from tax exempt status to taxable is something that I will wait for your direction. In speaking with the solicitor he thought that there is some merit in our ability to argue that it should be taxable. You are looking in total assessed value.

Dr. Lewis questioned if there was an interest in pursuing this?

Mr. McKeon asked do we have a consensus to pursue the change of tax status?

Mr. Tenaglia stated that in our packets we received 1099 information and I'm wondering what criteria renders a 1099.

Mr. Majewski responded its payment to an individual or sole proprietor of \$600 or more. It includes payments made by the school district business office or the student activities account.

Mr. Tenaglia commented that he saw King Spry and RBC here.

Mr. Majewski replied that's incorporation. RBC is a corporation and a 1099 is not required to be sent.

Mr. Tenaglia questioned a document behind the treasurer's report. It's called the 2007-2008 bond fund. I am completely confused as to what you are trying to present to the board. It looks like a sub set to the 2007-2008 bond fund.

Mr. Majewski stated I was not certain of the question, which is why I made an inquiry today. I believe what you are asking for is improved narratives or a better description so I am working on creating that

Mr. Tenaglia stated I don't understand this. How do we have a \$17 million account, but on this report you show us starting off -\$570,000.

**BOARD FINANCE COMMITTEE MINUTES
MONDAY, FEBRUARY 2, 2009**

Mr. Majewski responded what you are looking at is the ins, outs, and movement from that account. If we had spent out of our construction account \$2,050,000 and we moved \$2,000,000 to cover that it would have showed up, as there was a -\$50,000 that was due to the General Fund. I got the information for you because you want additional description and I would like the opportunity to be able to continue to work on providing the additional description as you requested.

Mr. Tenaglia commented the proceeds from the bond issues were put into a fund and there was a construction drawdown schedule at the time. So, where is this \$18 million that was transferred in?

Mr. Majewski replied that is the transfer out account. The value of the account is shown on the Treasurer's report. Where you have a beginning balance and an ending balance. What we are showing you there is the money we have moved from the account and when.

Mr. Tenaglia stated you show a transfer of \$2 million.

Mr. Majewski clarified that it's not a transfer into the bond account. It's transferred into the General Fund. Based on expenditures that were made related to the bond fund accounts but yet paid from General Fund's money.

Mr. Tenaglia stated if you would like more time to conduct a description?

Mr. Majewski stated that's what I figured when you told me you wanted a description earlier today. I was going to be working on something like that.

Mrs. Leeson asked if the audit report was not ready.

Mr. Majewski there are a couple of things we are still looking to get plus the pending litigation letter is due from the attorneys. I've spoken with them and they are trying to get it to us but our email system has been giving us some trouble. There are some issues with the budgets where the numbers that he was showing were believe to have been inaccurate compared to ours. We are working through some of those issues but it should be in draft form for you to see very soon. I know we have an initial document that we are working through making sure that the numbers there are displaying are in agreement with the numbers we have.

Mrs. Leeson asked will we be reviewing it next week.

Mr. Majewski responded, yes.

Mrs. Leeson questioned whether we passed the Northampton Community College budget?

Mr. Majewski replied I don't believe that we ever got a book with a resolution to be able to pass it. I don't remember that we ever did pass the budget.

**BOARD FINANCE COMMITTEE MINUTES
MONDAY, FEBRUARY 2, 2009**

Mrs. Leeson could we check into that we got some information over the weekend and it showed that we did not pass it.

Mr. Majewski replied we have not passed it.

Mrs. Leeson stated that she thought there were three school districts that have not and we are one of them.

Mrs. Leeson questioned would there be an economic advantage by making the Regional Academic Standards Academy into a charter school?

Dr. Lewis replied that the question of economic advantage is what I'm delaying on. I need to look into that.

Mr. Majewski stated I don't see that it would be much of an advantage to build it with just our own students.

Mrs. Leeson commented why don't you just look into it. It's just a thought.

Mr. Tenaglia questioned the solicitation for the membership of the authority.

Dr. Lewis responded yes, Mr. Cunningham got back to me and he would like to continue to serve. Mr. Weber got back to me and he would like to serve. I have a third individual who has expressed interest and has not contacted my office yet. I talked with Lisa and Brian and they have two more names to give to me and I'll bring them to you. If you have any suggestions please share them with us. We've run the ads, we've had the website postings, and I have not heard of anyone else.

Mrs. Dexter stated that she agreed with Mr. Antalics' comment that we should have courtesy of the floor at the beginning and at the end of the meeting. I would like to know if the board would like to include Policy 006 when we talk about committee meetings including the opportunity for public comment at the beginning and at the end of every committee meeting.

Mr. McKeon said he would like to see it no more than 20 minutes perhaps 10 minutes in the beginning and 10 in the end.

Mrs. Koch stated that she is concerned that we would be adding on an hour to the meeting time.

Mrs. Follweiler agreed with Mrs. Dexter. I find that part of our duty is to hear anyone that comes to our meetings and is here to speak, therefore, I agree with adding section ci.

Some discussion followed.

Mrs. Dexter suggested changing page 11 section 13, No. 2 to read, the committee meetings will begin and end with 10 minutes of allocated time for public comment.

**BOARD FINANCE COMMITTEE MINUTES
MONDAY, FEBRUARY 2, 2009**

The board was polled and a consensus was reached to change Courtesy of the Floor.

Mrs. Dexter commented on the 1099 sheet. She asked what Jack Wittenberger was paid to do.

Mr. Majewski replied that Jack Wittenberger was paid for services that he provided two years ago. They were deferred payments to him for his time when he was acting head for the maintenance. There were payments over three separate years. This was the last one.

Mrs. Dexter asked is Scholastic trying to sell something, new software, a new program or something?

Dr. Lewis stated that Mr. Agretto and Mrs. Katona were going to give you an update at the next curriculum meeting of their experiences.

Mrs. Follweiler expressed her support to look into it if it was beneficial to our students.

Mrs. Dexter stated I would like a printout for all of the board of tutoring for all schools. I think you have done that for me every year. Tutoring of all sources.

Mr. Majewski responded into January of all sources, general fund and grants?

Mrs. Follweiler stated that in light of our conversation about the time and the courtesy of the floor. I would like to ask that Budget Hearings go to their own evenings so that we can fully focus, because like Mrs. Koch mentioned we are looking at leaving here at midnight tonight.

Mrs. Koch stated that we scheduled those hearings on different evenings in the past.

Mr. Majewski responded yes. We had 3 hearings; one in April and two in May. This hearing was scheduled because we had to get the preliminary adoption scheduled for the February 9. Typically we try to have budget hearings on their own evenings.

Mrs. Leeson stated that she believed they had a budget hearing on January 12th in which she asked the administration to bring back a budget that was under 10 percent. Which I still have not received.

Dr. Lewis stated that the letter of transmittal needs to be updated.

Mrs. Leeson asked why wouldn't she go by the letter of transmittal?

Dr. Lewis responded the letter of transmittal typically would not change until we get to the final version.

Mrs. Leeson stated there was not any supporting documentation that came with this. This question was also emailed. Are you saying that the beginning pages have nothing to do with what is behind?

**BOARD FINANCE COMMITTEE MINUTES
MONDAY, FEBRUARY 2, 2009**

Dr. Lewis responded the letter of transmittal has not been updated because there are still considerable changes being considered.

The meeting adjourned at 10:00 p.m.

Minutes prepared by:

Arlene Vargas
Confidential Secretary to Stanley J. Majewski, Jr., Assistant to the Superintendent for
Finance and Administration