

**BOARD FINANCE COMMITTEE MEETING MINUTES
MONDAY, NOVEMBER 1, 2010**

Members of the Board Finance Committee met on Monday, November 1, 2010, in the Superintendent's Conference Room at the Education Center, 1516 Sycamore Street, Bethlehem, PA. Mr. Eugene McKeon, Chairperson, called the meeting to order at 7:15 p.m. The following school board members were present: Mr. William J. Burkhardt, Mrs. Michele Cann, Mr. Michael Faccinetto, Mrs. Loretta Leeson, Mrs. Irene Follweiler, and Mr. Benjamin Tenaglia. Also in attendance were Dr. Joseph J. Roy, Superintendent of Schools; Mrs. Stacy M. Gober, Assistant to the Superintendent for Finance and Administration; Anne Morton, Assistant Director of Business Affairs; and other interested citizens.

COURTESY OF THE FLOOR

Stephen Antalics, 737 Ridge Street, suggested amending the time limit that is allowed for speaking during Courtesy of the Floor. He stated that City Council did not have a limit and therefore more citizen friendly. Mr. Antalics believes that the time limit depreciates citizen participation.

2011-2012 BUDGET TIMELINES

Dr. Roy reviewed with the board a timeline for the budget process. He stated that Mr. Washington, Mrs. Gober and himself worked hard developing the process. Dr. Roy elaborated on the framework of high expectations and high support. Dr. Roy stated that he believes that it is important to revisit the goals and expectations of the district. Dr. Roy stated that it was important for the board to understand the conceptual framework of what was in front of the numbers before the budget process begins in December. Dr. Roy outlined the educational priorities and the fiscal priorities for 2011-2012. He also stated that the calendar was built around the required Act 1 deadlines.

Mrs. Gober stated that the timeline aligns to the Act 1 calendar and we will be internally preparing between now and December to bring a draft document for your review the preliminary adoption on February 7th. Mrs. Gober stated that we need to be mindful of the learning curve of the key administration and that we have some vacancies in key positions that we are going to have to work around so that we can be prepared for the 2011-2012 school year. Mrs. Gober suggested that based on the variances we are experiencing, that the board consider the February document as a spring board draft that we continue to develop so that we can deliver the best budget possible. She also informed the board that having a budget adoption on June 27, 2011 would pose a problem for the generation, preparation and mailing of the July 1st tax bills. Mrs. Gober asked the board to consider accelerating the adoption to occur at one of the committee meetings as a Special Board meeting so that the bills are generated in a timely matter.

Mrs. Follweiler asked if there are two budget workshops and one budget hearing? Mrs.

**BOARD FINANCE COMMITTEE MINUTES
MONDAY, NOVEMBER 1, 2010**

Follweiler also asked if the May 9, 2011 budget hearing is more of a presentation?

Mrs. Gober replied that it is the intention of the administration that while they are preparing, working through and deliberating the budget that they have open dialogue. She added that all of these are public meetings so there is no exclusion intended and at any meeting you also have the public comment section.

Mrs. Follweiler stated that she was not in favor of tacking on any budget meetings to another meeting. She said that the board should only be focused on the budget. Mrs. Follweiler stated that she would also like to see what is contractual and what is mandated. She asked if the budget could start out with a zero tax increase and show anything above that highlighted so that it is clear in everyone's mind.

Mr. Burkhardt asked if the administration had a philosophy of what kind of a budget will be presented on February 7? He stated that Mrs. Follweiler just presented one philosophy where there is zero movement and add-ons. Mr. Burkhardt stated that there have been years where we have said 9, 10, 11 or 12 percent and everyone is upset but we knew that it would not be. Is there a game plan?

Dr. Roy responded that typically the preliminary budget will be at a higher number because in February you generally do not have all the information you need for the year but you try to come as close to reality as possible.

Mrs. Gober stated that the dilemma and the challenge that Act 1 presents is that you are budgeting so far in advance that you are limited in terms of factual data on which to base your assumptions. Given those parameters, you prepare very conservatively and as the information begins to present itself, the budget will begin to take shape. She added that the state index for next year is 1.4% for Bethlehem and our adjusted index is 1.7%. That would allow us a maximum revenue increase of \$2,005,269.75.

SEPTEMBER 30, 2010, TREASURER'S REPORT

Mrs. Gober stated that this was a follow up to Mr. Tenaglia's request at the October board meeting where the Treasurer's report was tabled and the request was made for further analysis of the documents, specifically as it relates to the bond fund. Mrs. Gober stated that generally when we look at the treasurer's report and the documents that are included, the primary difference is that the report of the Treasurer shows all of the cash and investment balances by fund and by account. Mrs. Gober stated that those cash balances are different and present a different financial view than the fund level statement that follows. She added that if you try to compare the number in the fund balance to the cash balance they will 99% of the time be different. She stated that Mrs. Morton will explain how we reconciled this analysis with the Business Office in conjunction with the local auditors who are currently here.

Mrs. Morton stated that they began with the audited balance of June 30, 2009 and summarized the expenses and revenues for each period through the year to come up with the June 30 balance. Mrs. Morton stated the auditors assisted us with this information so we

**BOARD FINANCE COMMITTEE MINUTES
MONDAY, NOVEMBER 1, 2010**

do have some preliminary adjustments from them. Mrs. Morton stated that we also have the accounts payable and receivable to give us the adjusted June 30, 2010 balance along with the activity reported for this last quarter giving us the September 30, 2010 fund balance reflected in page two.

Mr. Tenaglia stated that this inquiry came about when administration recommended the baseball netting for Liberty High School. Mr. Tenaglia asked two questions on the matter. He questioned what bond fund it was coming from and he was told there was only one. He also asked why it was coming from the bond fund and not the capital reserve fund, and that the administration's response was because there was \$8 million in the Bond Fund. Mr. Tenaglia stated in addition to the Treasurer's report, we were also receiving a statement of the 2009 bond fund that showed \$2.5 million balance. Mr. Tenaglia stated that the response that he had received from the administration was incorrect because there was less than \$2 million to spend.

Mrs. Gober replied that Mr. Tenaglia was correct and that she had copied Mr. Tenaglia on all exchanges related to his inquiry.

Mr. Tenaglia stated that he went back and looked at some of the reports and saw that they have changed from the 2009 bond fund to merely the bond fund.

Mrs. Gober replied that again this was another clarification that she had discussed with Mr. Tenaglia in that there is only one bond issue that has proceeds remaining for expenditure. The other bonds that are there are refunded bonds that simply hold an escrow balance until maturity. Mrs. Gober stated that if he was referencing the amounts that are on pages 100 and 101, which there is a balance of \$98,935 as June 30, 2009 for the 2009A Bonds as well as 2009AA has a balance of \$96,039 that is the balance left in the escrow for the maturity of those bonds because these issues were an advanced refunding and not available for us to spend.

Mr. Tenaglia asked why the report of April 26, 2010 showed a beginning balance as of July 1 as \$12.5 million but the bond fund was only \$11.1 million?

Mrs. Gober replied that Mr. Tenaglia asked that question privately last week which is why she included the beginning bond fund balance as of July 1, 2009 that outlines where the money came from and how it's derived.

Mr. Tenaglia asked how the 2009B bond fund issued for \$11.1 million had a beginning balance in July of \$12.5 million?

Mrs. Gober replied that is included within your documents tonight labeled pages 25, 27 and 94 that outline how we get from July 1, 2008 through June 30, 2009 and outlines that the proceeds available are \$12,517,942.

Mr. Tenaglia stated that this amount is more than 2009B and that is not how you labeled it?

**BOARD FINANCE COMMITTEE MINUTES
MONDAY, NOVEMBER 1, 2010**

Mrs. Morton replied that is correct.

Mrs. Gober stated that she apologizes if the title on the page was inaccurate. The documents you have before you tonight certify that the balance of \$12,517,942 is the accurate beginning balance audited as of July 1, 2009.

Some discussion followed.

Mrs. Morton apologized for the typographical error on the header of the April board report. The balance in the beginning of July included the remaining dollars from the 2007 bond that was closed out in November. The fund balance reflected both the 2009B and the 2007 bonds.

Mr. McKeon asked Mr. Tenaglia how he would have liked to see the response from the administration.

Mr. Tenaglia stated that it may be accurate but it is not responsive to the question. He stated that the response to why are you taking money from the bond fund should not be because there is \$8 million there.

Mrs. Gober stated that was not the context in which she had responded to that question. Mrs. Gober stated that your question was not, "why are you spending money out of this account" and my answer was not, "because there is \$8 million dollars there". Mrs. Gober stated that this was not the question and that was not the response and she would appreciate if Mr. Tenaglia would read the full document in its entirety so that everyone understands the full context. Mrs. Gober stated that she pulled the cash balance from a Treasurer's report with the qualification that she would ask the Treasurer for verification of that number.

Dr. Roy asked Mrs. Gober to go through the steps that she has taken over the past week to verify the numbers and make any adjustments that needed to be done.

Mrs. Gober said that based on the challenges that presented, and knowing that there was such sensitivity to having an exact and accurate number, we recreated the entire fiscal year in a spreadsheet in order to verify against the accounting system. That presented its own set of challenges with respect to how the system recorded entries and transactions. We were able to reconcile everything and we were able to get it to a point where we feel at this point, in conjunction with the auditors reviewing it to make sure we didn't miss anything, and that there was no material misstatement of the numbers as they are tonight.

AGENDA ITEMS FOR NOVEMBER 15, 2010 REGULAR BOARD MEETING

A. Appointment of Tax Collection Commission Voting Delegates

Mr. McKeon stated that the appointment is for Mrs. Gober as delegate, Mrs. Morton as alternate delagate, and himself as second alternate for the mandated consolidation of the EIT collection.

**BOARD FINANCE COMMITTEE MINUTES
MONDAY, NOVEMBER 1, 2010**

B. Approval of 2011-2012 Fuel Oil Bid with IU 20 Joint Purchasing Board

Mrs. Gober stated that this participation with the IU 20's joint purchasing board for 2011-2012 fuel bids is with the idea that by aggregating all of the volume, we can leverage our pricing. It has been requested, suggested and recommended that the bids be opened and awarded the same day with the district represented at the bid opening followed by the IU awarding those bids that same day to avoid any market fluctuation.

C. Award Bid for Gasoline and Diesel – Bids Opened November 1, 2010

Mrs. Gober stated that a number of years ago the district had determined that for practical workflow purposes, the gas and diesel bids ran from Jan-Dec. Last month we awarded the heating oil. This month it's the gas and diesel for the vehicles. Mrs. Gober recommended running this with the fiscal year cycle. Mrs. Gober requested approval of the firm price and locking in with the vendor as early as tomorrow with today's pricing to avoid market fluctuation. It will be brought back to the school board for ratification at the Nov. 13, 2010 meeting.

Mr. McKeon polled the board. It was agreed that the district would lock in fuel pricing.

D. Approval of Agreement with Berkheimer Associates for Homestead Mailing.

Mrs. Gober stated it is a requirement of Act 72 and Act 1 that each year in December we need to send notices to all of the unapproved homesteads within the district. This is the agreement for Berkheimer to move forward with the mailing. The only question is whether we wanted to continue including the return envelope. It is a difference of about \$137.00.

Mr. McKeon and the board did not agree with removing the return envelope as a convenience to our taxpayers.

E. Award of Bid for Oil, Grease, Transmission Fluid, and Gear Lube – Bids opened October 21, 2010.

No discussion - standard annual

COURTESY OF THE FLOOR

None

OPEN FORUM

Mr. McKeon asked if everyone was satisfied with the explanation of the Treasurer's report so that it could be placed on the agenda for the next board meeting because it had been tabled at the last meeting.

Mr. McKeon polled the board. It was agreed that the Treasurer's Report of September 30, 2010 will be added to the November 15, 2010 board agenda.

Mr. Tenaglia asked Dr. Roy if he had a follow up to the letter of September 24, 2010?

**BOARD FINANCE COMMITTEE MINUTES
MONDAY, NOVEMBER 1, 2010**

Dr. Roy stated that this was regarding to the teacher assistants at LHS and stated that a meeting was conducted with the principal and several administrators. Their concerns were that they did not feel included and some did not have email. There issues were resolved.

Mrs. Leeson asked about parking for students at the upcoming Freedom vs. Liberty game. Mrs. Leeson asked if parking is being made available for Liberty. She recommended looking into a location and suggested the Lafayette field as a possibility.

Dr. Roy stated that Dr. Donaher held a meeting with multiple emergency personnel and would check to see if that was discussed at the meeting.

The meeting adjourned at 8:17 p.m.

Minutes prepared by: _____

Arlene Vargas
Confidential Secretary to Stacy M. Gober, Assistant to the Superintendent for Finance
and Administration