

**BOARD FINANCE COMMITTEE MEETING MINUTES
MONDAY, MAY 9, 2011**

Members of the Board Finance Committee met on Monday, May 9, 2011, in the East Hills Middle School Auditorium, 2005 Chester Road, Bethlehem, PA. Mr. Eugene McKeon, Chairperson, called the meeting to order at 6:03 p.m. The following school board members were present: Mr. Rosie Amato, Mr. William J. Burkhardt, Mrs. Michele Cann, Mr. Michael Faccinetto, Mrs. Irene Follweiler, Mrs. Loretta Leeson, Mrs. Aurea Ortiz 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; members of the press and other interested citizens.

COURTESY OF THE FLOOR

Steven Antalics of 737 Ridge Avenue asked if there was a real delinquent list with specific names and amount of delinquency? Mr. Antalics asked during these tough economic times what aggressive actions are being taken to demand payment of these delinquencies?

Donna Saad of 1629 West Broad Street stated that she was surprised that it took a change in the budget to look at the procedures in the accounting department.

Robert Eaton of 4627 Concord Circle asked the school board to not eliminate middle school soccer. He stated that it is matter of doing what is right for the children that are directly affected by your decision. Interscholastic sports is just one of many extracurricular activities that supplements the learning process and teaches leadership, commitment, dedication, tolerance and patience among many skills and brings kids of many diverse backgrounds together. Mr. Eaton stated that the program has 100 participants with a cost of \$24,000 in relation to a \$200 million budget. The program accounts to about .012% of the total budget. He stated that statistics published by the NCAA found student athletes have higher grade point averages then those not participating in interscholastic sports. Mr. Eaton asked the board what sport are boys supposed to play if you eliminate middle school soccer? He asked the board to make the right decision and not eliminate middle school soccer.

BAVTS BUDGET UPDATE

Mr. Williams of the Bethlehem Area Vocational Technical School stated that he returned this evening with a revision to the 2011-2012 budget. Mr. Williams reviewed two handouts with the board that cover the proposed reductions as well as how those reductions were arrived upon. Mr. Williams reported that after the revisions were made the net reduction of the district share for BASD is \$455,983. BAVTS made a total of \$716,069 of budget reductions to get to this point. BAVTS has reduced the operating cost

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by over \$600,000 with personnel cuts and non-replacements over the past three years. Mr. Williams reported that they do plan for more reductions to this budget for next year as well as the following year. We are looking down the road and trying to do the best we can for further reductions that will address other categories of personnel including administrative personnel that are not in this year's revision but will be included in next year as well as third-party services. Mr. Williams stated that they will be looking closer third-party services and how to reduce those costs accordingly so this is considered phase one of a continuum of budgetary considerations that BAVTS will be making with BASD for the next several years.

Mrs. Leeson stated that she attended the last Bethlehem Area Vo-Tech meeting last Tuesday and she just wanted to say that she worked with Mr. Williams on that board for many years and found him a pleasure to work with. She stated that he is very responsive to the needs of our district and that she appreciated that he went back and made these cuts. Mrs. Leeson was concerned where some of the cuts were coming from because some are from critical programs as opposed to coming from administrative staff. She appreciated Mr. Williams willingness to work with the district.

Mrs. Cann asked where does the itemized reduction of \$140,199 come from?

Mr. Williams responded that he would need to get back to her with an answer.

Mrs. Follweiler asked if Mr. Williams anticipated another rebate to our district as was issued last year?

Mr. Williams responded that most likely there will be some sort of excess revenue but it will not be of the size as in previous years.

Mr. Burkhardt asked about seven sections that were no longer offered in Culinary Arts.

Mr. Williams responded that the new position was proposed as the numbers increased in the hopes of employing a new teacher. Mr. Williams stated that has now been eliminated from the budget and the ones at the bottom are a combination of a retirement as well as three programs going from full time to halftime based on enrollment.

AUDIT REVIEW UPDATE

Mrs. Gober stated that during this month Mrs. Lentz continued to work on reconciliation of a general ledger accounts and separation of the banking from the accounting so that we have each fund accounted for individually. Mrs. Gober stated that most of those funds have been completed and now were working into our making sure that they all tie and reconcile so that they can begin to look at reconciling the banking side of that transaction. Mrs. Gober reported that the more extensive work done this month is related to expanding the banking and depositing processes with the electronic remote deposit capture process that they have been fine tuning and is expanded to the daycare operations so that their deposits are in the bank in a more timely fashion. She reported that this

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process would improve efficiency and reduce the amount of time it takes to account for all of the deposits and potentially increase some interest income.

We're continuing to work with the financial accounting software folks to accommodate the changes that need to occur to finalize the different check writing processes. Mrs. Gober stated that Mrs. Mautino has been getting familiar with things in 1 _ weeks that she's been with us on how to manipulate and work with the accounting software, looking for files, and learning to work with the staff. The Davidson Group has also been working with the staff several times a week in order to complete the operations review.

Mrs. Follweiler asked if Mrs. Lentz tenure is complete?

Mrs. Gober responded yes.

DELINQUENT REAL ESTATE TAXES UPDATE

Mrs. Gober stated that they have gone through and collected some data based on our historical collection over time to see when and how our delinquent tax revenue is received. The analysis is in summary form provided to the board members. Mrs. Gober reported that we turn over varying amounts but approximately \$4 million a year in delinquent taxes that averages about 2,000 parcels within the district. That list by name is available and can be garnered from the County at any time and it would be specific with names, parcels, and amount outstanding. Mrs. Gober stated that if we use 2009 as the most recent completed year with 2,021 parcels that were turned over and we looked at the mailing fees that would be fronted by the district for the Portnoff mailings, that would cost about in about \$70,000. The commission that we have paid year to date through February of this year constitutes \$151,000. You can see in prior years the amount of commission is just slightly under \$200,000 for the County to do that collection.

Mrs. Gober stated that as we receive delinquent receipts from Portnoff, we would (on a regular weekly basis) reduce the amount of the \$70,000 for mailing costs until all parcels are paid in full at which point we would be reimbursed in full and therefore have zero out-of-pocket for the cost of collection. If we just consider the amount of savings in gross without repayment of the postage fee, we would save in the current year, year to date about \$80,000. If you look at prior years, it could be anywhere between \$100,000 - \$200,000 in commissions that would be reduced expenditures within our budget separate and apart from revenue that we would anticipate being paid in the current year in which the tax is levied.

Mrs. Gober compared the district's delinquent tax collections with that documented with the City of Bethlehem serving the same population who also uses Portnoff. Mrs. Gober said that in 60 days they have typically collected on average about 46% of their delinquent turnover and 84% within one year. If we then translate that to use those percentages against our delinquent over and then compare the increased revenue that could be collected by using this method verses the county method, we could essentially

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increase our cash flow about \$1.4 million over two months compared to what we are realizing. It would be an additional \$1.4 million that we could count on at least within the first year of collection using Portnoff as our delinquent collector. Mrs. Gober stated that compared with the increased cash flow and the savings on the commission that is paid to the county, we could realize \$1.5 million or more within the first year on average.

Mrs. Gober stated that she was asked to verify references. We solicited nine different references from school districts that have used Portnoff for tax collection of their delinquent real estate taxes and we received responses from seven, all of which were positive. Mrs. Gober also reviewed the processes involved with the other two highly utilized delinquent tax collection companies Municipal and Expand Revenue Services that basically loan districts the money.

Mrs. Follweiler asked if during the budget process we assume that everyone pays their taxes on time or do we factor in for the delinquent amounts?

Mrs. Gober responded that the budget is built on an anticipated collection rate. The budget this year was built on a 95% and 96% collection rate because that is the collection that we are anticipating to receive within the current year.

Mrs. Follweiler asked if TRAN loans are affected by the people not paying?

Mrs. Gober stated that the more cash we collect in the period when it is levied certainly would improve operations.

Mrs. Follweiler asked if the City of Bethlehem still used Portnoff?

Mrs. Gober responded yes.

Mrs. Follweiler asked if the City of Bethlehem gave a reference for Portnoff?

Mrs. Gober stated that they reached out to them but did not get a response. Mrs. Gober stated that the City of Allentown who does use them as a municipal client did respond and they as well had positive comments. The rest of the clients were school districts.

Mr. Tenaglia stated that he was surprised to see this on the agenda. He said that at the April Finance meeting there was no consensus for the board to move forward. Mr. Tenaglia stated that at no point was the Board informed that it was the administration's intention to continue with Portnoff.

Mr. Roy stated that he was not sure where the confusion came from because what he recalled from the finance meeting was a desire from the Board to hear more information and what other collection firms there were. Mr. Roy stated that there were questions asked at the budget hearing and we provided the answers that you requested. Dr. Roy stated the administration's recommendation is still that Portnoff is the best option for us to increase revenue during this budget cycle.

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Mr. Tenaglia stated that it is not a recommendation to go on the agenda.

Dr. Roy stated that because there were questions at the last meeting and the Board did not move to consensus, we didn't presume to put it on as a recommendation. His proposal would be that we draft a recommendation to move it to the agenda.

Dr. Roy stated that he did not presume to put it on as a recommendation without further discussion.

Mr. Burkhardt stated that he didn't see why we wouldn't want to help improve the District's cash flow so that the District would not have to take on another TRAN. We have recommendations from other taxing bodies in the area of that use their services. Mr. Burkhardt asked why would we not. Mr. Burkhardt asked if he was missing something?

Mr. Tenaglia responded that he was missing the \$1.5 million of punitive damages that a judge put on this law firm because of their collection methodology.

Mrs. Gober stated that when Ms. Portnoff was before the Board she explained the circumstances surrounding the case, that it was on appeal and anticipated to be waived.

Mrs. Leeson stated that she appreciated having a little more background and information. She wished this was the way we would have started this process but she thought that there were some questions at that time about references and who had been called. She thought they were talking about an RFP process.

Dr. Roy stated that there was some discussion but not any direction. The nature of the firms are different with the other firms that basically loan the district the money. We did the research on those firms and came back with the information. Dr. Roy recommended to move forward with Portnoff as delinquent real estate tax collector.

Mrs. Cann stated that she would like to move forward with Portnoff but she would like an update on their lawsuit situation.

Mrs. Follweiler stated that she would be cautious to vote in the affirmative without the update on the lawsuit and a response from the City of Bethlehem.

Mr. McKeon polled the board and a majority agreed with Mrs. Follweiler's response.

Dr. Roy stated that for clarification, the administration will gather that information and provide it to the board in advance of the next meeting. We will add an agenda item as well.

STATE COMPETITION MEALS

Dr. Donaher stated in your packets you have information gathered from the last three school years relative to meals for athletes participating in state competitions including the

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month and amount they were approved to address the discussion.

Dr. Roy stated that the question here is whether to continue to cover the cost of meals for athletes at state championship events, and he wanted some clarity to move forward. His personal recommendation is to continue covering meal costs for athletes at state level competitions because they are representing our schools. Dr. Roy stated that at some competitions the meal costs are part of the lodging. Paying for the meals of some students and not others based on free and reduced lunch status separates students and Dr. Roy recommended that we provide meal money for PIAA state tournaments.

Mrs. Leeson stated that back in 2008 it was the recommendation of the administration to remove the meals from the budget. It was for all tournaments in lieu of other athletic cuts but not consistently applied. Mrs. Leeson also stated that she received information by email that the costs of meals were closer to \$11,000 than the costs we are now seeing. Mrs. Leeson stated that it is in the minutes of the budget workshop where the administration had recommended that as a cut and it was accepted in that budget. It was a direction set and voted on. At this point it would be a change not a clarification in board direction.

Mr. Amato asked Dr. Donaher if the district receives some reimbursement from the state for travel, room and board.

Dr. Donaher responded yes but it does not cover all the costs.

Mr. Amato asked what happens to the money?

Dr. Donaher responded that it gets turned over to the business office.

Mr. Amato stated that these students go out to represent us, get a reimbursement and we don't cover their meals.

Mr. McKeon stated that he also recalled \$11,000. Mr. McKeon recalled that students were receiving meal money even when they were competing locally and that it was the piece he sought to eliminate. Mr. McKeon stated that he did not agree with not covering meals for student athletes going to state championships.

Mr. Amato stated that he agreed with Mr. McKeon's statement. We don't get any reimbursement for students when they are competing locally. Reimbursement checks come from the state when students go to any state level tournaments. Mr. Amato stated that these students are earning this money by participating and we are making them find money to pay for their own meals.

Mr. Follweiler asked if Mrs. Gober could validate the amount of reimbursement verses the amount paid out in meals?

Dr. Roy stated that the reimbursement would not cover the whole cost of transportation,

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lodging and meals. Dr. Roy stated that he asked Dr. Donaher to work with the business office and these are the actual amounts for the last three years for state competitions only.

Mrs. Follweiler asked if the reimbursement money goes right back into a fund that we would know how it balances or does it go back into the general fund?

Mrs. Gober responded that her past experience has been that any athletic proceeds go back into the athletic fund because it is athletic revenue. They would not go into the general fund. Mrs. Gober stated that she could not speak for Bethlehem but that has been her past experience.

Mrs. Follweiler asked Dr. Donaher if his understanding was that it does not pay for the full cost? Do you know of anyone who would have that data?

Dr. Donaher stated that he could generate that data for the Board.

Mr. McKeon stated that his understanding was that there has never been a complete reimbursement.

Mr. Amato asked Dr. Donaher to look into it further. He stated that he knew it may not pay for all the costs but it should pay enough for us to feed them.

Mrs. Leeson stated that she agreed with Mr. Amato and that this was not information shared with the Board at the time the administration made the recommendation for the cuts. Mrs. Leeson stated that we are one of the only districts that do not ask for receipts for meals and we just provide them a flat fee per day.

Dr. Donaher stated that at the last event students were allotted \$20.00 per day and there was money reimbursed to the business office because the full amount of meal money was not expended by the students.

Mrs. Leeson stated that the money is provided per day but we are not asking for receipts and we are not paying for what it cost. This is not what most of the school districts are doing now. They are getting receipts and they are paying for the actual costs.

Mr. Burkhardt stated that we need to stay focused on the bigger picture. If we send students to state competitions, are we going to make sure that they can go and have meals paid for? Mr. Burkhardt said that he did not care if PIAA did not pay for anything. It is an embarrassment that we are receiving funds and not disbursing them for the activity they were intended. Mr. Burkhardt stated that we need to reverse the policy of the previous administration and a previous board and pay for our athletes to go to state competitions.

Dr. Roy stated that for the past three years we have been paying for state competition meals. The practice has been to pay and he recommended the district continue that.

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Mr. Amato stated that we should pay for their expenses whenever we receive reimbursement for their participation.

Mrs. Cann stated that she agreed the district should pay for their meals at the state competition level and she thought the receipt method was more appropriate.

Mrs. Ortiz stated that she supported the reimbursement of meals with a receipt for state competitions only.

Mrs. Follweiler stated that there needed to be clarification on the money trail to verify that we are getting back what we are spending. Mrs. Follweiler stated that she would also need to see a receipt.

Mr. Amato stated that he supported reimbursement whenever our students are participating in a state function. Mr. Amato cautioned the Board that if you say state and you mean that you only reimburse when they travel to Hershey, which is wrong. The playoffs start all the way back at the district level. Once you qualify for state play you are now getting state reimbursement along the way. Mr. Amato asked why should we receive reimbursement and not pay anything for their participation?

Mr. Tenaglia stated that the district should draft a policy and the board will review it. This is an operational matter. Come to us with a policy and we will modify it and move on.

Mr. Facinetto agreed with Mr. Tenaglia.

Mrs. Leeson stated that she agreed with Mrs. Follweiler but was still unclear on why the board was told \$11,000 and now we are down to approximately \$1,200. Mrs. Leeson stated that she also agreed with Mr. Amato that if we are receiving funds then they should be going to the students but with receipts.

Mr. Burkhardt stated that he would support a policy that would support our student athletes.

Mr. McKeon asked the district solicitor if a policy is necessary?

Mr. Spry stated that it could be an administrative procedure but the board needs to let the administration know what it wants.

Mr. McKeon asked if the administration could have that ready for perhaps the next finance meeting.

AGENDA ITEMS FOR MAY 23, 2011 REGULAR BOARD MEETING

**A. GENERAL OPERATING BUDGET FOR BETHLEHEM AREA VOCATIONAL
TECHNICAL SCHOOL FOR THE 2011-2012 SCHOOL YEAR**

Discussed above.

B. APPOINTMENT OF BOARD TREASURER

Mr. McKeon asked if this was for the current Assistant Business Manager?

Dr. Roy responded correct.

C. GORMAN AND ASSOCIATES APPOINTMENT OF LOCAL AUDITOR

No discussion

D. BID AWARDS-FALL SPORTS SUPPLIES 2011

Mrs. Leeson stated that the board received this bid list with a list of places but it does not specify what equipment we are replacing/purchasing? Does anyone know what we are purchasing?

Mr. McKeon stated that the list could be 40-50 pages long. It is anything from mouthpieces to footballs.

Dr. Donaher stated that he could get a list of the supplies for the board. Dr. Donaher said some are medical related and some are uniforms. Dr. Donaher stated that some uniforms must be replaced.

Mrs. Leeson asked if the uniforms are on a replacement cycle?

Dr. Donaher stated that they are only replacing uniforms that must be replaced individually. The PIAA has imposed new rules and restrictions on uniforms, which go into existence this coming year on how uniforms can be marked, lettered, striped and the size of numbers. Dr. Donaher stated that they are not on a normal replacement cycle anymore but rather on an as needed.

Mr. Amato expressed concern with the supplies arriving for the start of the fall. Mr. Amato stated that you keep cutting the time the vendors have to get this to the district. He added that this should have been done earlier in the year.

Dr. Donaher stated that they do ask vendors for delivery after July 1 but before the start of school.

E. BIDS FOR NITSCHMANN MIDDLE SCHOOL

Mr. Stein reported that on Thursday they opened bids for the Nitschmann Boiler replacement project as well as the catch basin repairs at Freedom High School. The results are summarized before you. Mr. Stein stated that they were expecting to capitalize on the

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boiler project bid opening by including an alternate for air conditioning at Nitschmann as well. The recommendation is for \$489,000 for both the boiler replacement and the air conditioning replacement.

Mrs. Leeson asked if this was coming out of the bond fund that was going to be wiped out with this purchase?

Mrs. Gober responded yes.

Mrs. Leeson asked if the Freedom High School paving was coming out of that bond fund?

Mrs. Gober responded no.

Mrs. Leeson asked if that was coming from the 2011-2012 budget? Is there not enough money in the bond fund to cover the Freedom project as well?

Mrs. Gober responded that she did not believe that there would be.

Dr. Roy stated that they did not want to spend up to the balance of the bond fund and leave some flex room in there.

Mrs. Leeson stated that the board was told that they were going to have more funds than anticipated this year. Why would we not try to take it out of this year's funds and transfer the funds to a funding account that it could be used?

Mrs. Gober stated that the difference would be in terms of the timing and when the work is completed and paid for which would be next year. Funds used in the current year would have to be transferred into a capital reserve fund before June that would be tied then to the policy that we will be discussing in June for GASBE 54. Mrs. Gober stated that there is money set aside for capital projects, sinkholes and electrical repairs. The intention was to use those funds to do this project.

Mrs. Leeson stated that she thought they were setting aside \$400,000 for emergencies and this was a \$385,000 project.

Mrs. Gober stated that the project is \$151,000.

F. BIDS FOR FREEDOM HIGH SCHOOL PAVING

No discussion

G. UGI GAS EXTENSION AGREEMENT

Mr. Fazil asked if there was any way they could get some direction on starting some of the paperwork for these projects. He stated that it is difficult to do this in the time constraints given but two weeks would save a lot.

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Mrs. Cann asked if we could add the Nitschmann boilers, Freedom High School paving, and the UGI contract to the special board meeting agenda tonight to be voted on?

Mr. Spry stated that as long as the meeting was advertised as “any other matters that go before the board”, then it could be added to the special board meeting agenda.

Mr. McKeon polled the board and it was decided to add the Nitschmann boilers, Freedom High School paving, and the UGI contract to tonight’s special board meeting agenda.

COURTESY OF THE FLOOR

Scott Sine 745 Hawthorne Road spoke against the elimination of the Spark program and the elimination of band, guidance counselors, and teachers. Mr. Sine stated that he knew that you are not looking to cut everything; but based on what he researched, we have an average to below average tax base and we are top notch when compared to inner city schools. Mr. Sine urged the board to raise taxes instead.

Anthony Pacenza 773 Barrymore Lane stated that the last time he came before the board he was told that the decision making process would be determined by participation rates and it is difficult to understand when middle school soccer with 40 kids from East Hills seems like a high participation rate. Mr. Pacenza wanted to understand the thinking behind it. He felt the residents of Bethlehem have been misled by being told that we have a budget crisis and the only alternatives are to raise taxes or cut education spending. Mr. Pacenza stated that this is patently false. Our Governor has said that it is un-American to charge a severance tax on natural gas extraction. We are the only state in the Union that does not have such a tax. Mr. Sine stated that what is un-American is to have a government that would rather cut education spending than to tax companies that are making billions of dollars from the natural resources of this state.

Marie Chismar 4103 Ginger Lane stated that her and her husband had become involved parents before their daughter entered kindergarten in 1988 when they were faced with difficult times as well. Mrs. Chismar stated that they have seen this district progress immensely in these 23 years. Mrs. Chismar stated that she understood that in these difficult economic times no one wants to raise taxes but the cuts proposed are making this district travel back 23 years. She asked the Board why the district built Broughal Middle School for 900 students when only 600 would attend. Mrs. Chismar added that cutting guidance, teaching staff, and resource officers do not coincide with the district’s mission statement.

OPEN FORUM

Mrs. Follweiler stated that the Board received news that Liberty High School would be showcased to use by a game show. How does that fall into our lease policy?

Dr. Roy stated that it is partnership with the school and it is a school-sponsored activity.

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Mr. Tenaglia asked about a check written for \$3.61 that was listed on the prepay memo. Does Facilities have a petty cash account that this could have come from?

Mrs. Gober responded that we have open accounts with the local hardware stores and agreements that they will be paid within certain discounted periods. In some periods there are more transactions than others. Mrs. Gober stated that she supposed that could have been held and put it with the aggregate.

The meeting adjourned at 7:27 p.m.

Minutes prepared by: _____

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