

**BETHLEHEM AREA SCHOOL DISTRICT
BOARD HUMAN RESOURCES COMMITTEE MEETING
MINUTES
MONDAY, JUNE 20, 2011**

Members of the Board Human Resources Committee met on Monday, June 20, 2011, in the Dining Room, at the Education Center. Present were the following school board members: William Burkhardt, Michele Cann, Michael Faccinetto, Irene Follweiler, Loretta Leeson, Eugene McKeon, and Benjamin Tenaglia. Also in attendance were Assistant to the Superintendent for Finance and Administration Stacy M. Gober and Superintendent of Schools Dr. Joseph J. Roy.

The meeting of the Board Human Resources Committee was called to order by Mr. Michael Faccinetto at 8:35 p.m.

COURTESY OF THE FLOOR –None

Dr. Roy announced that Mr. Giordano was not in this evening because he is doing his residency as part of his graduate program at Cornell University.

BOARD POLICY 620 – FUND BALANCE – SECOND READING – Mrs. Gober said, “At the direction of the board following last month’s discussion of this policy revision, we did delete various assignments that were available on page 2, section 3 for assigned purposes and kept the entire policy very generic so that we are essentially leaving the policy as open as possible with the intention that at any time there would be any commitments made that were outside of the standard audit provisions that they would come back to the board as separate and specific approval.”

Mr. Tenaglia pointed out the item numbers need to be revised because it is missing number 3. He asked Mrs. Gober what her estimate for the fund balance at the end of this fiscal year would be? Mrs. Gober replied that it would be in the 5-8% range following all of the final year-end-close and audit adjustments.

Mrs. Leeson asked Mrs. Gober if it is being projected that we are going to be able to stay within the 5-8% guidelines in the next upcoming 2, 3, to 4 years. Mrs. Gober replied that it depends on individual decisions that are made annually related to the budget process as well as whatever state and federal subsidy are received going forward. Mrs. Leeson stated, “Taking reasonable assumptions the five-year projections we have, it looks like 13-14 we are already dipping below, and we go into a negative \$9 million by 14-15 and negative \$27 million by 15-16. Mrs. Gober replied, “If you consider the assumptions that were specified in preparing that document that considered all salary, benefits, and wages would continue in the same pattern and trend as they are today, all revenues would be neutral. It only included an assumption on increasing to the index and all other items were held essentially neutral or trended, so to the extent that any of those assumptions are not valid, those balances are going to change specifically related to many budget adjustments that were concluded following preparation of that document initially.” Mrs. Leeson said, “I think those were somewhat reasonable assumptions to have been made at that time and going above the index in taxes is going to get increasingly more difficult to do so your increase revenue through taxes is going to be very difficult, and I am not sure that you are going to see huge decreases without making cuts. These guidelines are here for a reason, and I think we need to keep them in mind as we move forward.” Mr. Faccinetto stated, “I think those are discussions we can have when we talk about the financial outlook as we come up in July and August.” He asked if there were any other comments on the policy and/or revisions. The board agreed to put the policy on the agenda for the third reading on June 27.

AGENDA ITEM FOR JUNE 27, 2011, REGULAR BOARD MEETING:

BOARD POLICY 620 – FUND BALANCE – THIRD READING – No objections. This item will be placed on the June 27, 2011, Regular Board Meeting Agenda for approval.

SUBSTITUTE PLACEMENT SERVICES AESOP AGREEMENT – Dr. Roy stated this works well for the district and recommends continue using AESOP. No objections. This item will be placed on the June 27, 2011, Regular Board Meeting Agenda for approval.

REAL ESTATE TAX COLLECTION – CITY OF BETHLEHEM – Mrs. Gober stated this was initially approved in 2008-09 and had not been updated since which came to light as discussions began with the City of Bethlehem relating to the cost of the service for the 2011-12 tax year. She indicated that the cost that was agreed to back in 2008-09 was \$3.09 per bill, which is what the district had been willing to pay and had been paying. Mrs. Gober said, “The city was looking to increase that rate, and we were able to negotiate an interim of a flat fee of \$200,000 for the service.” Dr. Roy said, “The city controller had gone through an analysis of various services that the city provides and have been contacting the district to discuss higher rates based on the firm they hired to analyze the cost of providing certain services, so although we are not pleased with this and this notification came pretty late in the season, Mrs. Gober was able to negotiate to a flat cost of \$200,000. I think looking forward after this year, we would be coming forward in the next coming school year to request the go ahead to do RFPs for these collection services. There may be others that can do it since we have this change in the city’s billing practices.”

Mrs. Follweiler asked if this is reasonable since \$2.00 more per bill is a huge percentage increase. Dr. Roy replied, “The city’s position is that they...well first of all as Mrs. Gober mentioned this was never finalized. There was one memo that identified the \$3.09 in cost from several years ago. There was no agreement like we are asking for tonight and so they actually had asked to bill us more for the year we just ended.” Mrs. Follweiler asked, “Did we not move to the city from another collection service in 2008?” Dr. Roy replied she was correct and said, “That is when there was one memo that set the \$3.09 since then the City wanted to bill us for more than that for the 10-11 year because it had not been updated or written down any where what the fee was for the last couple of years.” Mrs. Follweiler said 1_ positions were eliminated, and the district moved the tax collection to the city. Mrs. Gober added, “There was an interim step in there. When the positions were eliminated, it was actually the district software was no longer able to accommodate the preparation and printing of the bills and collection of the receipts. At that time, it was recommended to move to Berkheimer and out source it to them to prepare and collect. That did not go favorably, so based on that result, it was recommended in 2008-09 to allow the city to do the collection. The initial \$3.09 at that time appears to have mirrored the cost that we were paying Berkheimer at that time. When we got the invoice for this year, it was actually for 09-10 and 10-11, and they were looking to increase both of those years. We were able to successfully maintain that payment because we said essentially you cannot do this hence, so we needed to talk about going forward and that is where we are.” Mrs. Follweiler stated she is very torn with this because obviously it is the taxpayers, whether it is the city or the school district one of them has to find the money somewhere, if this is what their real true cost is. She is very concerned that the district has to wait a whole year before an RFP is able to validate this. Mrs. Follweiler asked, “What happens if we vote it down?” Mrs. Gober replied, “We have no way to generate the invoices at this point. They did come down a third from what they originally would have liked to have charged for the services.” Dr. Roy added, “I also did meet with the mayor on this issue moving back to the flat rate of the \$200,000. Mrs. Gober has also proposed to the city a number of ways we believe they can reduce their costs by being more efficient, by scanning checks, and uploading and so forth. I did talk to the mayor about encouraging the department in the city to accept those suggestions that would drive down these costs, and they would charge us the cost that they actually incurred, but they have not accepted the ideas we suggested for efficiency yet. I did talk to the mayor to push on that.”

Mr. Tenaglia asked, “Does this not go away next year when we go to the county-wide system?” Mrs. Gober answered, “Not for real estate. The county-wide system is only related to earned income tax and local services tax.”

Mrs. Leeson sated, “If I recall correctly in our audit, we have found some problems with the City of Bethlehem several years in a roll. Have those problems been addressed and has that been cleaned up first of all?” Mrs. Gober replied. “We believe that it has been. They have been providing the Act 169 reports

for the 2010-11 tax year. Certainly their adequacy remains to be tested during the audit, but we were able to reconcile to the duplicate using their 169 report, so we believe they have complied with the primary request of the audit over the past few years.” Mrs. Leeson asked has the cost for other vendors been looked at. Mrs. Gober said, “We started some preliminary discussions in trying to do that. The problem was that we are at a point in the year that they cannot take on new clients and get the bills out for the July 1 deadline, so by the time this all came to vision they had already begun their process in terms of having materials ready and so forth. This is something that we are going to need to explore moving forward.” Mrs. Leeson stated, “I am not sure that we should be put over a barrel though this late in the game by the city either. If they wanted to make a change in the contract and the fees, I think we should have known that upfront and not at a point where it was too late for us to be putting out RFPs, too late for us to move it to another vendor, and should we be saying no you are too late this year, we will look at this for next year.” Dr. Roy said, “I shared the frustration, but part of the issue is that there was no contract. There was nothing that said this is the rate except for the one memo that only referenced the first year and the \$3.09, so they actually billed us at higher rates for 09-10 and 10-11 well after the fact. The discussions with the city were that they charged higher rates for those years, but we are only paying \$3.09 as part of getting to this agreement, but we have the increase for this school year.” Mrs. Gober stated, “We have taken measures in every other area that we can to mitigate and reduce this cost. We have changed our banking arrangements to reduce our cost. It will also reduce our banking fees. We have provided numerous suggestions to the city and given them various alternatives that they are willing to explore and if they should be successful and if they yield savings in terms of the staffing and time that it is involved, the agreement does permit that to be credited against the net, but they were not willing to do that upfront. They are willing to credited after the fact if some of the suggested solutions are improving efficiency and reducing their cost.” Mrs. Leeson asked if the district has the ability to do this in house and what would it cost. Mrs. Gober answered that the administration had started to look at that but due to the lateness of the timing, doing it quickly and running the risk in making errors in a process that is the key revenue source for the year... Dr. Roy added the district would have had to rush to purchase the appropriate software, would have needed to hire people, and put processes in place, he felt that was not a realistic solution at this point. Dr. Roy suggested looking at the RFPs in the future and new software – kind of like a hybrid – by using software that is contracted to use as well as in house people. He said this may be an option for 12-13.

No objections. This item will be placed on the June 27, 2011, Regular Board Meeting Agenda for approval.

ASSISTANT BOARD SECRETARY APPOINTMENT – No objections. This item will be placed on the June 27, 2011, Regular Board Meeting Agenda for approval.

COURTESY OF THE FLOOR – None

OPEN FORUM – Mrs. Leeson asked if the district needed to fill a number of positions vacated by retirees and why not fill with existing personnel. Dr. Roy explained, “We anticipated reducing as many as 90 teaching positions but in the end, reduced 79 positions in order to maintain class sizes and programs.”

Michael Faccinnetto adjourned the meeting at 8:58 p.m.

Minutes prepared by: _____
Nitza S. Yerger, Confidential Secretary to the Director of Human Resources