

**BOARD FINANCE COMMITTEE MEETING MINUTES  
MONDAY, SEPTEMBER 12, 2011**

Members of the Board Finance Committee met on Monday, September 12, 2011, in the Dining Room at the Education Center, 1516 Sycamore Street, Bethlehem, PA. Mr. Eugene McKeon, Chairperson, called the meeting to order at 6:01 p.m. The following school board members were present: Mr. William J. Burkhart, Mrs. Michele T. Cann, Mr. Michael E. Faccinetto, Mrs. Irene Follweiler, Mrs. Loretta Leeson, and Mr. Benjamin M. 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.

Mr. McKeon requested moment of silence in honor of the September 11 attacks.

Mr. McKeon reported that the School Board of Directors and Dr. Roy have had three executive sessions on August 17, 29, and September 7 regarding personnel.

**COURTESY OF THE FLOOR**

None

**AUDIT REVIEW UPDATE**

Mrs. Mautino stated that they are still paying checks out of the general fund and reimbursing back and forth until the new software is implemented. All funds are segregated and we are keeping track of them. A separate bank account was opened for the capital reserve fund and that balance should earn its own interest. Mrs. Mautino stated that she is still working on reconciling the daycare fund and receivables and payables are being calculated as well as payroll accruals. My hope is to have it done by the end of the month so it is ready for the audit in October. Checks are ordered for two of the high school student activity accounts. They were the two biggest ones to tackle. Our plan is to have the secretaries start to use the new software along with the new checks in October or November and then have the other 20 activity accounts all following the same procedures. Everything is accounted for properly with the current year debt payments except for one information item I am waiting on from PFM on one of the variable rate issues. The receivables are all in the books for June 30. The new account analyst is working on the fixed assets and beginning to work on the year-end close. Mrs. Mautino stated that she has been working on payables and receivables and has been focused on them because of the cash reconciliation. Payables are off by about \$2,000 and Mrs. Mautino said she should be able to reconcile that. As receivables and payables get on the books the activity from last year should get better and better.

**TREASURER'S REPORT DISCUSSION**

Mrs. Gober stated that in your packet was a draft format that was slightly amended from what you had seen last month. The intention of this was to modify the format so that we

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can combine some of the ancillary subsidiary reports that were attached to the general fund treasurer's report in the past and provide more information for the board than what you are used to seeing in the past. This shows all of the account balances from a cash perspective and reconciles to the ending balance. Because we were using a pooled cash model there was no way to discern from those balances how those dollars were related to any other particular fund. With this report you can see where the dollars are for each fund and the balance at each bank for each fund, which essentially provides all of the information that was in those reports and gives far more information and detail than what you had been used to seeing. Mrs. Gober stated that what she believed to be a concern by some board members was a distinction between accounts payables and accounts receivables for the prior fiscal year 2010-2011 in addition to breaking out 2011-2012 expenditures and revenue which is not typically something that you would see on a treasurer's report. There was an attempt to provide additional information to bridge the gap of the condition of the budget and the treasurer's report. The condition of the budget typically is your expenditures and revenues that include any encumbrances against that current year's operating budget. That number is not going to align to what is reflected on the treasurer's report for what has been expended because you are commingling multiple funds on the treasurer's report but additionally you have payables and receivables that are attributable to prior fiscal period so they are not a one to one correlation. If this is not something the board is interested in seeing then you can look at the format in the August report (schedule A) where we are simply showing the beginning balance in aggregate by fund, receipts and disbursements with an ending balance. The sections in the center are the summary of revenue and expenditures that will further outline and detail the receipts and disbursements by fund so you can see on an ongoing basis where the activity has been for each fund as well as for each bank account. Mrs. Gober suggested that this one is probably the ideal format for the treasurer's report. Mrs. Gober stated that they looked back to see if what they were recommending was consistent with what other school districts were doing and it is in fact very similar to what you can find published for other school districts. Mrs. Gober stated that the recommendation is for attachment A and A1 that gives both depository information as well as fund activity across all revenue and disbursements so that you can see a true picture at the close of each month.

Mr. Faccinetto agreed with the recommendation.

Mrs. Leeson asked if she looked at the athletics with a beginning balance of \$279,702 where do we see that again. Mrs. Gober stated that would be the beginning balance from the prior month. Mrs. Leeson stated that the beginning balances, revenue or expenditures are not shown again. Mrs. Gober responded that you are only looking at that month for revenue and expenditures. The beginning balance would tie to the prior month report. The receipts and disbursements are the activity for each fund and all the transactions for that particular month which are then reconciled in the two center boxes in the report.

Some discussion followed.

Mr. Tenaglia stated that we are now listing four banks that are not on our approved depository list.

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Mrs. Gober stated that funds are invested through the Pennsylvania Liquid Asset Fund and the Pennsylvania Local Government Investment Trust, which are on the list of approved depositories. They do that on behalf of the clients. Mr. Tenaglia asked why they keep \$250,000 coverage. Mrs. Gober responded that way it is a fully insured CD by FDIC.

Mr. Tenaglia stated that in this case PLGIT acts only as the intermediary and no different than any other broker. We now have opened four depository relationships none of which have been approved by the board.

Mrs. Gober stated that this has been the practice that has been in place in other districts for many years. If we are going to restrict our investment opportunities to banks that are only available through local sources that are individually board approved then we will never be able to take advantage of the CD program through either of those pools. As you are aware they have daily investment rates that come in that day and you either take them or you don't. We rely upon our approved depositories PLGIT and Liquid Asset Fund to do all of the research and make sure that they are highly rated banks and that they are safe depositories. They also manage our portfolio to the extent that at no one time will we have more than the insured limit in any one bank. By utilizing them we are maximizing the investment return through an approved depository by using their pooled product and their fully researched program. It is something the district has been doing for as far back as I can see.

Mr. Tenaglia stated that he has never seen the individual banks listed like this before. Mrs. Gober stated that this is the way she would suggest it should be presented in this new format to present the treasurer's report in full disclosure. Whether it was shown as a pool before, these were the underlying CDs that are being held. Mr. Tenaglia stated that there is a significant difference if we are investing in a pool fund as opposed to having individual bank investments where PLGIT is only acting as the intermediary. Mrs. Gober stated that this is the program in place in districts across the Commonwealth and is in compliance with 440.1 of the school code.

Mr. Tenaglia asked if it is in compliance with our policy. Mrs. Gober responded that as far as she was aware. Mr. Tenaglia stated that he did not think so.

Mrs. Gober stated that if the board chooses to not have us use this we will discontinue its use. Mrs. Gober stated that if she did not do investments other than to use the pools, we are limited in our return because there is no opportunity to come back to the board in advance of each CD investment opportunity.

Mr. Tenaglia stated that his understanding has been that we go through PLGIT in a pooled arrangement. PLGIT bought the CDs and we then participated in their CD fund. Similar to the way it is listed in the collateralized CD pool above. This is a significantly different arrangement. Mrs. Gober stated that it may be in its presentation but it is the same operating premise that has been in place with the district but they were shown as a

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pool rather than itemized. Mr. Tenaglia said there is a significant difference though. If I am buying a pool whether it is PLGIT or Vanguard I am buying into that institution's product. This shows me that we are merely using that institution as an intermediary and we are now invested in these four banks and these four banks don't know PLGIT to be the owner. They know Bethlehem Area School District to be the owner.

Mr. McKeon asked if he was viewing PLGIT to be the buyer of the CD.

Mr. Tenaglia stated that it was different than the arrangement we had with them previously.

Mr. McKeon asked if we would need a recommendation from the administration to add these banks to the list of approved depositories to keep this arrangement.

Mr. Tenaglia stated that he was not opposed of the new arrangement but I am opposed to the new arrangement being presented after the fact and this seems to be in direct violation of the board policy on investments. Dr. Roy stated that he was unsure that this was a new arrangement. We will go back and do some history on it and see what the role of PLGIT was and whether or not it's changed. Mrs. Gober stated that she did not believe this was a new arrangement. It is simply thorough in identifying them individually.

Mr. Tenaglia stated there is a significant difference when the board is being informed they have an investment in PLGIT and now they are informed they have investments in these banks.

Mrs. Leeson asked if previously we had these CD's with individual banks through PLGIT. Mrs. Gober responded they were listed in aggregate and listed as PSDLAF as CD pool. Mrs. Leeson stated that previously we were not just in their pool of various investments we were in specific bank vehicles and they were the brokers. Mrs. Gober stated that this was her understanding. If you would like I can pull historical statements from years past. This is not a new program.

Mr. Tenaglia requested the PLGIT statements for July 2010 and July 2011.

Mrs. Cann stated that she really liked the smooth format for the treasurer's report. Mrs. Cann asked if this was like investing in a mutual fund.

Mr. Tenaglia stated that's what we had previously. This display is different than what the board knew to be the prior arrangement with PLGIT.

Mrs. Cann asked if this was an enumeration of what we had with PLGIT.

Mr. Tenaglia stated that this is now showing that we have a position with each of these CDs, different from when you were part of the pool. This is displayed as four investments that the Bethlehem Area School District made with these four banks through PLGIT.

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Mrs. Gober stated that she will provide the July statements but she did not believe that there were significant funds invested during that period.

Mr. McKeon polled the board for the use of the new format and it was decided to use this new format of the treasurer's report for the next finance meeting.

**INFORMATION ITEMS**

Mrs. Gober stated that Wednesday afternoon we had our rating call with Moody's that went relatively well. The plan for the upcoming bond issue is for their rating committee to take a look at all of the information presented. Once they establish the rating for the district related to this bond issue then PFM anticipates beginning discussions with the financial institutions to negotiate the rate for the fixed rate portion of the transaction. Once they have what they feel is an appropriate resolution on the fixed rate we will share that with board officers with the anticipation that this transaction will be materially complete at the September 26, 2011 board meeting.

Mrs. Gober stated that they are working with the IT department and the Central Susquehanna Intermediate Unit for the software conversion and in conjunction with understanding their file layouts to prepare our data. The software conversion is moving along. We are looking to move forward first with the financial and the human resources applications because they need to be the foundation for anything that we implement with payroll so by the time we get to the payroll implementation we will have those two pieces of foundation established.

Mrs. Gober stated that we have received some good news with our electricity consumption. In May 2010, following the increase in tariff rates through PPL, the board approved purchasing the generation portion of our power through a consortium of other school districts effective July 2010. At that time we estimated 13.7 % of savings over the tariff rate for the 2010-2011 school year and at the conclusion we were able to save 18.7 % over what we would have paid if we had stayed with the utility. That savings is about \$570,000 - \$580,000.

Mrs. Follweiler asked if this was after they had the fields of solar panels. Mrs. Gober stated that she looked at which buildings had the greatest savings and honestly they are not directly aligned to those who had the solar fields. These figures are through the May utilization. Next year we may be able to realize what savings resulted from the solar panels.

**AGENDA ITEMS FOR SEPTEMBER 26, 2011 REGULAR BOARD MEETING**

**A. COLONIAL IU #20 EDUCATIONAL SERVICES AGREEMENT**

Mrs. Gober stated that this is outline in the agenda item for transportation and special education services for Bethlehem students that are in intermediate unit programs. They are all renewals from last year.

**B. COLONIAL IU #20 SPECIAL EDUCATION PROGRAMS AND SERVICES CONTRACT**

Mrs. Gober stated that this is the base contract for special education services for Bethlehem students through the intermediate unit. This is an estimate that is based on our spring utilization and it will be adjusted and reconciled periodically and finally concluded at the end of the school year based on our actual utilization.

**C. APPOINTMENT TO ASSIST WITH THE FORMATION OF 501(c)(9) SELF INSURANCE TRUST**

Mrs. Gober stated that this is the discussion document that we had shared back in July related to our creation of a 501(c)(9) trust that would allow us to be an official IRS self insured program instead of our administrative services only (ASO) plan that would allow us to access the Pennsylvania Trust administrative fees for employee healthcare. It is a deeper discount than we can acquire on our own.

Mr. Tenaglia asked who is Mike Balducci and how did you come to hire him. Mrs. Gober stated that Michael Balducci is the solicitor for the Pennsylvania Trust. He is also the trust solicitor for EPTEP, the IU20 trust and many others across the Commonwealth. He is the known expert in that regard. We felt that rather than re-invent the wheel, and find someone who is not used to dealing with this type of language, that we would prefer to have someone who would get to that ending expeditiously than someone who is not familiar with it.

Mr. Tenaglia stated that once again we have a request for professional services with no information on this individual and we are going to pay him \$12,000. Mrs. Gober stated that this is a not to exceed number. There are other firms that just for the IRS submission alone have charged \$10,000 and the hourly rate in excess of \$200.

Mrs. Leeson stated that it has been the practice of the board to put our services out for an RFP bid. I would like to recommend that we put this out for an RFP. Dr. Roy stated that because he is associated with the PA Trust we thought this would be more cost effective for us. Mrs. Leeson stated that an RFP would show us that too.

Mrs. Cann stated that this is a very specialized thing to do. He obviously knows what to do. There are benefits to an RFP but if you end up with the same person it is kind of silly. I have confidence in this person based on his reputation in this area.

Mrs. Follweiler stated that she agreed with Mrs. Leeson on the request for an RFP. Mrs. Gober stated that she would attempt to get them back before the meeting. The longer it takes us to get this issue resolved the longer it takes us to get the stop loss.

Mr. McKeon stated that we will request RFPs from experts in the area and we will attempt to have it for the September meeting.

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**D. BASD AUTHORITY APPOINTMENT**

Mrs. Gober stated that one of the board members from the original authority has resigned for personal reasons from both the Bethlehem School District Authority as well as the Bethlehem Area Vocational Technical School Authority effective October 31, 2011. Mrs. Gober stated that Mrs. Cann was looking for someone interested in serving and Russ D'Entrone volunteered for both positions to fulfill the unexpired term of both.

Mrs. Cann stated that we were very lucky to have Mr. D'Entrone. He is well known to a number of us as being a person often in the audience and helpful to the school district for a long time. He also has financial expertise in his background and was gracious to take this over and we are fortunate to have him.

**E. BAVTS AUTHORITY APPOINTMENT**

Discussion above.

**F. BERKHEIMER ONESOURCE AGREEMENT FOR HOMESTEAD MAILING**

Mrs. Gober stated that the Berkheimer agreement is the annual renewal of the homestead applications to all of the residences that are not yet approved as homesteads. Last year when this item came up we did discuss the board's selection as to inclusion of the return envelope as a courtesy. The board at that time wished to continue providing the envelope and the item was prepared in that fashion unless there is some change.

Mr. McKeon asked if these are people who have yet to file and might be eligible? Mrs. Gober responded yes.

Mrs. Follweiler asked if we were putting a return envelope as a service to citizens to try to encourage them to fill it in and this is a rebate for the citizen and no advantage to the district. Mrs. Gober responded that's correct. If you choose to omit the return envelope you can save \$133.

Mrs. Cann asked if we are doing this mailing repeatedly to people that don't bother to fill it in? Mrs. Follweiler stated that she would send it out without the envelope. Mr. Faccinetto stated that he would also send it without an envelope. It is in their best interest to return it. It could give them significant savings on their taxes. Mr. Faccinetto stated that he would not let an envelope stand between him and the possibility of saving money.

Mrs. Leeson stated that the Farmstead Homestead Act was confusing to some people. I would go one more year with providing the envelope.

Mrs. Cann stated that if it has been three years of sending this to the same people that we should no longer provide it.

Mr. McKeon polled the board and it was decided that the return envelope would not be included in the homestead mailing.

**COURTESY OF THE FLOOR**

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None

**OPEN FORUM**

Mrs. Follweiler stated that she received the memo on the sinkhole and it is going to be costly to fix it. Where are taking the money from and do we have enough money in the budget to cover in the event of additional maintenance issues. How comfortable are we with this \$55,000 estimate? In the memo it states that D'Huy is going to do some work with the contractors. Is this something we can do ourselves or communicate directly with the contractors verses using the advice of D'Huy?

Mrs. Gober stated that she did not have the specific dollar amount that was allocated within the budget but there was \$385,000 that was budgeted for capital improvements and a significant portion of that was to go for sink hole repair because that is something we know we have each year. We felt that since we have the repair each year it was prudent to budget the money to pay for it each year. There is money allocated. We will need to monitor it as we go along so that we do not go over the amount that was anticipated to be a normal year knowing the amount of rain we had this year was beyond normal.

Mrs. Follweiler stated that it was merely a concern and that she knew there was a line item for it. Mrs. Follweiler asked Dr. Roy could we get an answer to that for the facilities committee meeting next week if we don't already know the difference between services we can complete on our own and when we need to use the engineer.

Mr. Tenaglia stated that on September 5, 2011 the board received an email from a taxpayer who had an electronic payment problem and I have not seen a response either from the board or from the administration. Has the matter been resolved?

Mrs. Gober stated that she spoke with the citizen. She understands the process, understands the deadline and she will attempt to make the payment according to the schedule. Mr. Tenaglia asked if we were putting her back on the installment plan. Mrs. Gober stated yes if she has the ability to do it. Her payment was not received by us and went back to the bank as undeliverable because it was not addressed to the lockbox or the PO Box. Mr. Tenaglia stated that this was a problem with her financial institution not properly setting up the electronic payment. Mrs. Gober stated that she brought it to us but prior to that we never received it as it was undeliverable.

Mrs. Leeson stated that we received some information on the first and third day student enrollment numbers and I was curious as to what did we budget as our student enrollment number for this year?

Mrs. Gober stated that she did not have the exact number but they had a number provided from Child Accounting that was utilized for budget purposes that projected a decline.

Dr. Roy stated that early on they had looked at reducing ten elementary positions based on the roll over of students in elementary. Mrs. Leeson stated that she had asked for that number. The number of students we used for budget purposes. Mrs. Leeson asked to have it by next week?

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The meeting adjourned at 6:55 p.m.

Minutes prepared by:

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