Bethlehem Area School District

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BOARD FINANCE COMMITTEE MEETING MINUTES
MONDAY, OCTOBER 10, 2011

Members of the Board Finance Committee met on Monday, October 10, 2011, in the Dining Room at the Education Center, 1516 Sycamore Street, Bethlehem, PA. Mr. Eugene McKeon, Chairperson, called the meeting to order at 6:00 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; Mr. Scott Shearer of Public Financial Management; members of the press and other interested citizens.

COURTESY OF THE FLOOR

Randy Toman, 359 10th Avenue asked how many outstanding swaps are still left on the books?

PFM UPDATE

Mr. Shearer stated that in August when the parameters resolution was approved he agreed to return to present the final results of the last transaction. Since that time, some other things have come up that we wanted to bring before you this evening. They are all pretty positive. Referring to the handout provided, Mr. Shearer indicated the market is changing rapidly on a day-by-day basis and even minute-by-minute basis. What we did 10 days ago with terminating a portion of the swap and issuing new bonds turned out to be very good timing. Since that time, we have seen a disconnect between those indexes that would have added more cost to that transaction. The timing saved the district quite a bit of money. This also appears to be a good opportunity to do a traditional refunding on one of your smaller pieces of debt that could potentially save the district a couple hundred thousand dollars. The net present value cost of this overall transaction, taking into account the new Floating Rate Note with Wells Fargo for half the deal and the termination of the other half of the variable bonds turned out to be about $1 million better than originally estimated in August. The market timing was well within the parameters that the board adopted on August 15, 2011. We are expected to close both pieces on November 1, 2011. Since that time more news about Dexia was released that was not good. This was your last transaction with Dexia. Mr. Shearer reviewed the final numbers of the last transaction.

Mrs. Leeson asked if that factored in all of the costs? Mr. Shearer responded that it includes everything, all costs of issuance, reimbursement from the state, and the swap termination. It is an inclusive present value cost.

Mr. Shearer stated that the floating rate note with RBC is coming up for renewal in January. It has been in place for almost 2 years and has performed very well as expected. It is time to renew it. We are looking to substantially reduce the cost of the renewal. We would like to begin preparations and return at the November 14th finance committee meeting and then the regular board meeting on November 21, 2011. We also plan a meeting with the Authority on the same day. That would allow us to close sometime before Christmas ahead of the January 5, 2012 deadline.

We do not have a firm commitment from RBC but we have good pricing indications. We expect no problems with this renewal and contemplate either a two or three year time period at about 80–90 basis points. We will have more information for you by November.

Some discussion followed.

Mrs. Follweiler requested that in the future the projector be used for the public to follow along.

Mr. Shearer stated that the board now has the ability to refund the 2001A bonds that has a call date of March 15, 2012. You would be going from a higher rate to a lower rate and realizing net present value savings. There is a little under $5 million of principal outstanding at an average rate 4.65 percent. The net benefit to the district after refunding a required portion to the state is $220,000. It's about 4.5 percent of what we are refunding. Most governments entertain a discussion of refunding if the present value savings are greater than 2 percent. This is an opportunity to take advantage of the current low interest rate environment. You can do a parameters resolution. This is a traditional fixed rate bonds to replace traditional fixed rate bonds. There are no swaps associated with this component.

Mrs. Leeson asked for a comparison that included this transaction with a fixed rate proposal so we can see if we are getting close to a zero cost then can perhaps move to a fixed rate.

Mr. Shearer reviewed the current structure/amortization of the 2001A bonds and a calculation of what is needed to pay off the bonds. We have been monitoring this and there have been times it has been inefficient to do this. Negative arbitrage is the difference between the new borrowing rate and what you are legally allowed to invest in the escrow. It is not a perfect escrow right now but we have seen numbers a lot worse. Now is a good time to be looking at this transaction. Mr. Shearer reviewed the estimated new bond issue based on rates from the end of last week.

Mr. McKeon expressed concern with a past arbitrage issue 10 years ago where the district had to repay about $112,000. Mrs. Leeson stated that it was not completely abnormal. It happens at times and then you would pay back.

Mr. Shearer stated that is an arbitrage and IRS issue. We want to make sure you are in compliance with that. Having negative arbitrage just means the transaction is not perfect. When you have positive arbitrage is when you need to make sure you are doing everything you are supposed to rebate back to IRS. Mr. Shearer stated that they are not changing any of the structure. They are basically identical. We would break this out for you in greater detail if you decide to proceed with this refunding. We can have a discussion on what everyone thinks is a prudent savings target and we would execute the transaction once we hit the floor on the parameters resolution.

Mr. Tenaglia asked if the negative arbitrage on page 16 is carryover? Mr. Shearer responded that is correct. The $220,000 is the final impact based on today's rates. From a timeline prospective, we can proceed at any pace or we do not have to act at all. We simply wanted to bring it to your attention. Mr. Shearer stated that the board could adopt a parameters resolution at one of the November meetings and then we would price the deal whenever we reach the target. If the market goes away from us, there is zero cost incurred to the school district. If we get to the board meeting where you adopt the parameters resolution and the market went away from us, the cost incurred would be the cost of advertising in the newspaper.

Mr. Shearer stated that there are three fix payer swaps that have cash flows exchanging and we are monitoring all the time. There is one other swaption that has been on the books with Morgan Stanley since 2003 when the district received an upfront payment of about $2.5 million. It was related to 1997 bonds and the swap transferred to the 2007 bonds. Morgan Stanley has the option to exercise this transaction every March 1 or September 1 if the market warrants. There is not a lot of time left on this transaction which only extends to September 2016. Everyone should be aware that nothing is happening with this swap. It's basically on the books but no cash flows are being exchanged and it's never been exercised. The only reason we bring it to your attention now is because the cost of termination is the lowest it's ever been at approximately $100,000. There is about $32 million outstanding on this. It was substantially larger but it is paying down quickly in the next 4 or 5 years. If you chose, we can come back in the next few weeks with a resolution to terminate as long as the cost do not exceed the amount you indicate. The extremely low interest rate environment is why this termination amount is so low. If you move forward with the traditional refunding opportunity and save a couple hundred thousand then some of that savings could be used to offset this. We do not have to do anything. There is no expiration or deadline that requires action with this. Simply there is a chance to get terminate it.

Mrs. Cann asked if we got rid of it do we need to refinance the bonds? Mr. Shearer replied no.

Mrs. Cann stated that it is something to seriously consider. The more swaps we can get rid of the better because we do not know what can happen between now and 2016.

Mr. Shearer stated that all of your other swaps are basically taking variable rate debt and converting it to fixed rate debt. This does just the opposite. This one takes your existing traditional fixed rate bond issue and converts it to variable rate.

Mrs. Cann asked if the underlying note would now be variable rate? Mr. Shearer stated that if we terminated the swap, the 2007A bonds would continue as they are. This swaption is the complete opposite of the other ones you are paying on. This takes fixed rate debt and synthetically converts it to variable rate.

Mrs. Cann asked how is it synthetically converting it to variable rate? Mr. Shearer responded that if Morgan Stanley called to say we are going to exercise this then you would then be receiving a fixed rate of a 3.28 percent and paying a variable rate based off of SIFMA. Your bonds are somewhere in that same 3.28 fixed interest rate. What you would receive from Morgan Stanley at the 3.28 would offset those traditional fixed rate bonds and you would be left paying SIFMA.

Mrs. Cann stated that she understood that the swaps have a synthetic fixed rate. Is that why it becomes a variable rate because we are taking away the synthetic fix of the 2007A?

Mr. Shearer stated that even if the swaption is exercised you would not have to issue new bonds. A contract would start that says you need to start exchanging cash flow with Morgan Stanley. This is a different animal than the one you already have exposure to. Mrs. Cann asked what are we left with if we terminated the swap? Mr. Shearer responded that if you terminated the swap you would be left with traditional fixed rate bonds.

Mrs. Cann stated that when you said it would be converted to synthetic variable, that is only if they exercise it. Mr. Shearer stated that only Morgan Stanley has the option to exercise it.

Mrs. Leeson stated that there are different variable models of swaps and derivative financing. This one is a little different than what we traditionally have been talking about. I would like to strongly advocate that if it is reasonable that we get out of the swaps. This is perfect timing where we have the opportunity to offset the costs with refinancing some of the other issues. I think it puts our district in a much sounder position all the way around.

Mr. Faccinetto stated that he agreed with taking the proceeds from 2001A refinancing and get rid of it.

Mr. Tenaglia asked how Morgan Stanley carries this on their books? Is there any incentive for them to exercise this? Mr. Shearer stated that there is no incentive for them to exercise this now and would only exercise this in a high rate environment. Right now with rates so low they are going to use their capital for other things. I would say they are indifferent to this transaction.

Mr. Shearer stated that for the RBC renewal we will continue discussions in October with RBC, run some different scenarios and be ready to present on the November 14th Finance Committee. Depending on the outcome of that meeting, we would bring it to the full board on November 21st. The other two transactions are market sensitive. We can move quicker than these time frames if you approve a parameters resolution. If you want to move quickly we can do an authorization to proceed for the October 17, 2011 regular board meeting and then November 21 we can have a real resolution. We can have bond counsel draw up a termination resolution for next week.

Mr. McKeon polled the board and the board authorized Mr. Shearer to proceed with the parameters resolution for the termination. Some discussion followed.

Mr. McKeon asked Mr. Toman if this discussion had satisfied his questions earlier? Mr. Toman responded yes.

Mrs. Gober asked to clarify if they were doing a motion to terminate the swaption on October 17 and not doing anything with 2001A until November? Mr. Shearer stated that you could do a motion authorizing PFM and Rhoads & Sinon to work with the administration on a simple option with no parameters and nothing binding.

Mr. McKeon stated that they would need motions for the floating rate, the refunding and the swaption. Mr. Shearer stated that you do not need anything for the floating rate.

Mrs. Gober asked the board if the cost should not exceed $100,000 for the swaption? Mr. McKeon responded yes.

BUSINESS OFFICE UPDATES

A. Condition of the Budget

Mrs. Gober stated that over the summer it was requested that we have periodic review of the condition of the budget in addition to the monthly report that is given to the board. If you look at overall position, we are at break even in terms of where we are comparatively with this year's revenue. Considering the fact that we have so much less federal revenue, we are in some cases ahead. If you look at where we are in local revenue with real estate, we are further ahead. The collection rate on our real estate taxes is a little further ahead than where we were last year. That will allow us to utilize those funds to help our cashflow as we move forward. Please notice the line item for undistributed taxes as a reflection upon the improved posting within the business office to get transactions recorded into the system in a more timely basis. Related to Tuition from Patrons, we have received $169,000. In the 2010-2011 year, invoices were delayed in getting to other school districts for the educational services provided for their students by BASD. The other variance in the state and federal program revenue which is a reflection of reduced carryover from grants in the prior years, the conclusion of the stimulus finds and an overall reduction with dependency on Federal revenue within our operating budget. If you move to the expenditures, it appears that benefits are underspent as it relates to prior years and the reason is that the payments on our employee benefits are held in a suspense account and will prorated back out to the individual accounts after we have all of the salaries and staffing adjustments finalized that occurred this past summer. Salary and benefits together are where we would expect following the staffing reductions. Salaries are 7% under budget year over year and benefits are about static with a $54,000 difference that is the reduction in the wage based benefits and medical for the staff that is no longer obtaining coverage, offset by the increase in PSERS. One of the large variances is in the Special Ed area for the Intermediate Unit program caused by a voided check in the month of September re-issued in the month of October. Tuition shows a significant variance resulting from encumbrances in our accounting system for the current year tuition at the Community College and the Vo-Tech which was not encumbered last year at this time. Last year many blanket purchase orders were encumbered in the area of repairs and maintenance which was more cumbersome from an operational prospective that its value so those purchase orders have not been encumbered for the year in advance. Our utilities to date are under where they were at this point last year. That's a positive from an expenditure prospective. Hopefully that's a reflection of the solar panels. Lastly if we look expenditures in aggregate, we are about 5% under where we were last year. We will continue monitoring as we move along. It is a tight budget so we will keep an eye on it and make sure we stay on target.

Mr. Tenaglia questioned the total local tax sources, which had a difference of roughly $6 million and asked what it was attributed to? Mrs. Gober responded that it was attributed to better collection and better recording of the receipts. Utilizing the lock box more effectively is increasing our cash flow. Funds are hitting our bank on a daily basis rather than waiting for manual envelopes to be opened and checks to be cleared through walk in deposits.

Mrs. Leeson thanked Mrs. Gober for the information and stated that it is helpful to stay on top of the condition of our budget throughout the year. Our total district revenue last year was $204.4 million? We show our expenditures as of June to be $198 million? Does this number include all the clean up that needs to take place between June and the beginning of October? Mrs. Gober stated that she could not promise that it is everything but it is substantially closer than it had been last year at this time.

Mrs. Leeson asked although it is an unaudited number can we consider this to be somewhat of the preliminary balance? Is that correct? Mrs. Gober stated that they are hoping so and that she would ask Mrs. Mautino to confirm that. Mrs. Mautino stated that we are getting there. We are pretty close.

Mrs. Leeson stated that it looks to her that we may have $6.1 million to go to fund balance and help stabilize the fiscal situation. Mrs. Leeson asked if the increase in revenue was due to Portnoff? Mrs. Gober responded no. They will not get our delinquent tax duplicate until after January.

Mrs. Leeson asked if this increase in our revenue was a reflection of better practices within the business department here? Mrs. Gober responded that is correct.

Mr. McKeon stated that the EIT collected is about 25%, which should match the quarter, but I noticed that last year we collected $4.2 million for the same calendar quarter. Mrs. Gober stated that it is a result of better information. This year we did implement early with Keystone and they send us daily reports that indicate which tax period the receipts are attributable to so we know if it is related to the second quarter or third quarter. In the past when we received those funds it was simply money in the bank and we reported it the day we received it with the reconciliation reporting to follow some time later. It comes back down to having better information so that we can post our transactions more accurately.

Mrs. Leeson stated that although this is an unaudited amount she does see a large excess. Is some of this coming from the renegotiation of the Southside TIF which occurred after we had already established the budget? Am I correct that we should be seeing about $2.4 million or so that was unanticipated when we concluded the 2010-2011 budget. Mrs. Gober stated no. The $2.4 million was the amount that we paid back to the TIF. It was about $1.7 or $1.8 million that we retained.

Mrs. Leeson stated we did budget $2 million or so that we were anticipating would go towards fund balance. Just to clarify that we did get some unanticipated money throughout the year. We did not budget to have this type of overage. Mrs. Gober responded correct.

B. Operations Review

Mrs. Gober stated that we have been working on making a lot of changes within the business office and if you refer to the GANTT chart from the operations review showing milestones for achieving certain tasks within the business office. The number one priority that was reflected in that report was the review and analysis of our existing financial accounting system that was the primary objective to be accomplished within the first 30 days of the report. We brought forward an analysis of various software systems and selected the Central Susquehanna Intermediate Unit as our new financial accounting, human resources, payroll, and bidding applications. It is in the process of being implemented. The intention is to first implement the financial accounting system and the human resources module so that we can make sure we have a solid 30-45 days in utilizing those systems as the foundation for us to add on the payroll system January 1st. Within the next few weeks we are hoping to announce to everyone that we are going to be moving forward with working live on the new personnel and accounting systems. We have been holding staff meetings with various sub groups within the business office that are task oriented and have been providing appropriate training, feedback and mentoring in terms of individual processes, and documenting procedures so that they are available in hard copy for any vacancies. Mr. Giordano is helping us gather all job descriptions and review them for accuracy. We are also doing cross training and having staff learn the functions of their peers so if we have vacancies we know that we have someone else to insure the work is moving forward appropriately. We have been sending various groups within the business office to outside and internal training and the staff has been very appreciative of the increased knowledge. They are welcoming and understanding some of the background as to why we are asking them to do various things and they are starting to develop the full picture. As of August, all of the vacant positions have been filled. We are working on developing a mission statement and an overarching vision for the entire department. We have identified the key characteristics that we feel we want to model when we are in our best practice and how that comes together to a concise composite statement that we can use to define our response to everyday tasks. We are brainstorming on how we can utilize the space we have better. When we meet again, we hope to have some creative ideas on how we can realign the space we have to make it more efficient. We will involve Mr. Stein so that whatever we have as a good idea is actually possible and he can make sure that our folks can rearrange the furniture in a way that is minimal in terms of cost or at no cost at all. We are moving along. The staff has really voiced a positive outlook on the discussions that have been happening and are appreciative that we are including them in the conversations.

Mrs. Mautino stated that she agreed. The staff has been very appreciative. I have been personally thanked for teaching others who indicated they never knew that before. It is nice to see them wanting to learn.

Mr. Burkhardt stated that we hammer frequently when people are not doing well that it is refreshing to sit here and hear that the business office is functioning at a much higher level. That is due in part to the review by the Davison Group and implemented by Mrs. Gober and Mrs. Mautino.

Mr. Faccinetto commended Mrs. Gober and Mrs. Mautino for hitting the ground running with this and starting with staff from the bottom up to get everyone involved. It was one of the biggest things in the review that the staff felt disconnected and did not feel like part of the operation. This is great.

Mrs. Leeson stated that when you are looking at space you might want to consider flipping space with the child accounting department particularly since there is some storage space there as well. It probably will not be a difficult move. Dr. Roy stated that they have not given Mrs. Gober the go ahead to look beyond her doors but it may be a good idea.

C. Audit Review Update

Mrs. Mautino stated that in the corrective action plan under the first finding for the pooled cash, cash disbursements for funds other than general are reimbursed to the general fund as the expenditure occurs. We did just order separate checks for all the fund bank accounts and we are planning on implementing that with our new fund accounting software. The idea is to have separate checks run for each fund so that there is no reimbursement back and forth to the general fund. We did receive checks and deposit slips for the two high school student activity checking accounts and as soon as we get the fund accounting software in place and the people trained we will start using the checks from those accounts and move the money into one account with PSDLAF. The remaining student activity accounts for the middle and elementary schools will be transitioned in January. Work is continuing on staff training in conjunction with eliminating posting errors in findings 2010-11 and 2009-15. As we identify problems, we are reviewing it, mentoring and writing up procedures, making sure people understand what they are doing, how to fix it and how not to do it again. Activity between all the funds is being monitored and reviewed so that the all activity is posted to the correct fund. It is an ongoing item until staff members understand their role in the accounting functions of the business office. The total debt payments for the 2010-2011 fiscal year are recorded in the proper account and reconciled. I am making a final review to make sure all the PDE subsidy reimbursements are processed and all the receivables are booked. Our account analyst has been working with the fixed assets and she has recorded all the new assets, removed all the disposed assets and has submitted it to the appraisal company for valuation for the audit. The paperwork for the 501(c)(9) self insurance trust is being prepared and documents will be sent to the IRS for approval after which we can apply for membership to the PA Trust.

Mrs. Follweiler asked how Mrs. Mautino feels on how the office will perform in the next audit. Mrs. Mautino stated that there would be improvements. Will we get every single thing done? No, but we are definitely making improvements and every time we identify something we are fixing it and making sure it does not happen again. There is a lot of activity. It is a big budget but we are making headway.

PROCUREMENT CARDS

Mrs. Mautino stated that this is an area we are revisiting at the request of the board. ePayables was a program initiated with Commerce Bank in August 2010. The net payments from that program were about $900 by which we earned about $7,600 in revenue but we incurred expenses to our software because the system did not integrate with this program. There were not a lot benefits to this program. The program was discontinued in January due to inactivity and multiple vendor issues. It was causing more work than intended. We decided to look at alternatives and I reviewed two options. Bank of America met with me about their epayables program. I also looked at the EasyProcure program sponsored through PSDLAF/PSBA/PNC. Both programs offer the ability to earn rebates on your regular purchases and bill payments. I looked into both options and the Bank of America epayables system was very similar to the Commerce Bank program where they would determine which vendors were eligible and then we would have to upload our payments to this work system and basically a credit card was given to the vendor to pay our bills. Then the vendors would receive an email telling them they have a payment and any discrepancies would come back to us for reconciliation. We also receive an upload file and it would be our responsibility to be the program administrator and reconcile. After meeting with them and talking to them at length, it became apparent there was a lot of manual work involved similar to the program we had just abandoned. The EasyProcure program is slightly different but the end result is the same in that you get a rebate on your purchases. You use procurement cards instead of credit card payments. The card is accepted by vendors at point of sale similar to a credit card. We will receive a bill that has all the purchases by cardholder. The method of payment would be one payment to the bank that would come out of our checking account with PSDLAF. The nice thing about procurement cards is that they can be set with limits. A consumer science teacher can only shop at the following store and they can only buy groceries to a specific dollar limit. You can limit the type of transaction and the amount of the transaction. There are a lot of controls you can put on the cards. The purchases would go through the same channels as we currently have similar to purchase orders. It would be approved by their principal and then go to the business office for review. There would not be a lot of extra work. Payments are processed through the bank. Cardholders would use the procurement cards to buy things that are authorized. Recording of the transaction would require very little work. I compared the two interfaces with our software and the Bank of America program required extra steps on both ends and I was not quite sure if it would integrate into our software easily. I spoke to the Intermediate Unit 16 about the EasyProcure program and it is very streamlined according to them. It's an excel spreadsheet imported into a journal worksheet.

As far as revenue goes both offer rebate incentives. When I originally asked for proposals Bank of America had given me a proposal estimating rebates of $31,000 based on spending of $7 million. The PSDLAF system is based on all the schools participating in the state to which there is 140 currently. The larger the aggregate school buying volume, the larger the rebate percentage and the more BASD buys the higher our rebate. Annual spending across the state is $50 million and based on that number the minimum rate we would get is 50 basis points which is one half percent. Getting one half percent back on our spending is a pretty good deal. If we would eventually get to the $7 million spend projected by Bank of America we would get $77,000 in rebates through the EasyProcure program. That's something to grow to. I had a conservative estimate for this year of $200,000 where we would get a 1,000 rebate. It is something we can start with a limited pilot group, see how it is working, grow with it and tailor it. If you would decide to go with this we would adopt a board resolution and provide an acceptable use document for the people being issued the cards. We would have to draft procedures and guidelines for the use and make sure everybody is on board. The schedule is to complete an application and credit approval, update purchasing Policy 625 through the months of November and December and get everything up and running before January. There are over 140 districts in the state using it and I got information from PASBO that there were seven schools last year that received rebates from $14,000 to $27,000. It depends on how much we use it.

Dr. Roy asked Mrs. Mautino why she thought this program was better. Mrs. Mautino responded that this would be better because of the controls you can put on it. Dr. Roy asked if this would help the issue of writing small checks. Mrs. Mautino responded yes. Let's say twenty teachers were using the card it would be one check to the bank and one transaction going into the system.

Some discussion followed.

Mr. Tenaglia asked how many cards do you anticipate issuing? Mrs. Gober responded that initially to get the program started we are looking at 10 cards. We will start with administration and likely the trades group because they are in and out of the hardware stores more frequently and then move it on to the childcare group because they have a lot of small purchases that they do for arts and crafts. Next would be the family development specialists because of the small activities that they do and the family and consumer science department because of the nature of purchases they have with the grocery stores.

BAVTS SURPLUS DISCUSSION

Dr. Roy stated that the Vo-Tech school generated a surplus for 2010-2011 school year of $1.25 million. Originally during budget season last spring they estimated $800,000 and we budgeted $400,000 - $500,000 in our budget as expected return revenue. They exceeded that number by about $225,000. Mr. Williams proposed that the Vo-Tech retain the $225,000 over their original estimate for the purpose of using it to do the required improvements on their housing project. The estimate is about $200,000. The articles of agreement require each district to approve the distribution of the excess funds. The recommendation is that $800,000 be returned to the districts on a pro rated basis. Our share would be about $503,000 and they would retain $225,000 so that they can do the infrastructure improvements for their house project.

Mrs. Follweiler asked if the infrastructure improvements were not included in their original budget? Dr. Roy stated that it was a consensus of the joint committee at the time, if possible, to pay for the cost upfront rather than over time. Mrs. Follweiler stated that what they want is to take $200,000 that could otherwise be disbursed among the schools towards the next house project.

Mr. Tenaglia stated that this is basically site improvement expense. This would allow the Vo-Tech to do all the curbing at once. This is not funding the next house project.

Mr. McKeon stated that last year there was a similar request and for many years they just kept their surplus.

Mrs. Leeson stated that in the past it was not as large.

Mr. Faccinetto expressed concern with this being the third year in a row that they have a million dollar surplus on a small operating budget. We fund 63%-64% of their budget. In the spring when Mr. Williams came here and gave his presentation, we asked him to go back and look at some things and he came back with program cuts. Here is an additional $200,000 on top of $800,000 already projected and we cut programs at the Vo-tech. I have a tough time letting them keep it. We talked about the surplus last year and here we are the very next year with another almost one million dollar surplus. I am not comfortable with it.

Mrs. Leeson stated that one of her concerns was that those issues came up after the Vo-Tech had already reviewed their budget and it was difficult to go back. I do think that many of the people on the Vo-Tech board, myself included, do have concerns about some of the structure and some of the costs and expenses at the Vo-Tech currently. I think we need to communicate some of our thoughts and the way we would like to see them structuring their budget for this upcoming year and we do have a number of representatives on that board. We need to be communicating this now. One of our concerns is that they are a little top heavy when we have been cutting administrators in our own district and where cuts can be made. If they are able to make some of those cuts within their budget will they be able to fund this project without keeping the surplus? Mrs. Leeson stated that generally the Vo-Tech buys property, builds on it and sells it. That money is used as seed money to purchase further property. When the Vo-Tech sells this property will we see the surplus funds back? Is this a loan or is this just $200,000 that goes into the project?

Mr. McKeon stated that he did not recall any conversation at the Vo-Tech meeting as to whether this was an advance recoverable by the respective school districts.

Mrs. Leeson stated that she would like to see them make some cuts within their own budget that would fund this. Is there a need for them to have the money prior to the cut in their budget? Is their seed money not large enough for this expenditure? Is this money coming back to the district when these homes are sold?

Dr. Roy stated that the Vo-Tech has a house project fund that they use to build and sell the house. This is separate from that so that what they have in that fund can be used for building. I do not know that number. I will ask them for that information. The Vo-Tech buget was reduced about 8% this year at our request. I have already asked for a meeting with the other two superintendents to review their staffing. That should happen ahead of their budget process and within the next few weeks. Mr. Williams advised me that we should not expect to see this type of surplus again because of the 8% reduction in their budget. They have also seen a decline in the number of tuition students from other districts.

Mrs. Leeson asked if the Vo-Tech could make cuts and fund the project themselves? Dr. Roy stated that Mr. Williams' argument will be that they have reduced their budget 8% and are really tight and now they have to find $200,000 in this year's budget is going to be pretty difficult.

Mrs. Leeson asked if the anticipation is to start immediately or is this starting in the spring or in the summer? Mr. McKeon responded that he did not think it was anytime soon. Mrs. Leeson stated that if it is not anytime soon they might be able to use reduced proceeds from the 2012-2013 budget to fund it. If they are not ready to break ground they may be able to find it in the 2012-2013 funds.

Mr. Faccinetto stated that he did not recall them saying it would happen this fiscal year before June 30, 2011. If this is not going to start prior to July 1 then they should look at the 2012-2013 budget. Last year Mr. Williams told us there would not be a surplus this year. I don't want to take away from what they want to do but in fairness we are sitting here making cuts.

Mrs. Follweiler stated that it did not sound like there was urgency to this project.

Dr. Roy stated that he felt we needed more time and more information. Would it be helpful to have Mr. Williams come to the next board finance meeting? Mr. McKeon responded that it would be better to have him attend the next facilities meeting.

Mr. Burkhardt asked why did the Vo-tech buy a piece of land that did not have infrastructure? What was the discussion at that board level? If there are no roads, no water/sewer lines running into this property, how was that going to be funded?

Mrs. Leeson stated that it was the opportunity that arose. There was a home that is directly across the street and the road can be continued right into the older home. There was the idea that they could purchase the home, sub-divide that property and use it for additional sites. This has been a slow and steady process. It is expected that this piece of property will last for a couple of decades. The Vo-Tech and the members of the joint committee believe that this house project is a very valuable house project for our students. It has been a no cost project because we get out of it what we put in and usually a little bit more. We feel it gives students a real hands on experience in the trades.

REFPAY DISCUSSION – MR. FRED HARRIS

Mr. Harris stated this is a simple software program that will allow us to pay our officials electronically verses paying them via check. Currently, we pay officials out of two athletic offices. At Liberty High School we pay the officials for Liberty, Nitschmann and Northeast and at Freedom we pay the officials for Broughal, East Hills and Freedom High School. RefPay would enable us to not only track every payment electronically but also enable us to stream line the 1099 process. It is relatively new to the high school world but it is not new to the NCAA. It is how every official gets paid in the NCAA currently. It is a company that is in majority owned by the NCAA, the National High School Federation supports it and I believe would be an asset to us. Costs would not exceed $1,200 per year. It is a per transaction cost. A transaction less than $75.00 would be a $0.68 fee. Any transaction between $75 and $150 would cost $0.91. A high school averages 350 checks per year that are $75 and under and 40 checks per year between $75.00 and $150. An annual cost per high school would be $274.40. The middle schools are averaging about 200 checks per year. I am asking for $1,200. This would come from our officials account.

Mrs. Follweiler asked if this worked like direct deposit for the referees? Mr. Harris responded yes. RefPay is used in various school districts throughout the Lehigh Valley now. Our money will sit in escrow on a trust fund and once the game is officiated I will pay the official. The official can withdraw their payments every other week at no cost to them.

Mrs. Follweiler asked when would we put that money in escrow? Mr. Harris responded that we could deposit that money seasonally or annually.

Mrs. Follweiler asked if there were any fees attached to how many times you put money in the account? Mr. Harris responded that the fee is for the official to get a check.

Mrs. Follweiler asked how much does it cost us today to write a check. Mr. Harris responded that they spend $600 a year for each office just on postage. We don’t mail every check but we mail lots of them. We are spending annually more than $1,200 with postage and checks. Mr. Harris stated that this makes reconciliation extremely more efficient.

Some discussion followed.

Mrs. Leeson asked if this would be an ongoing expense? Mr. Harris stated that it would be ongoing because it is charged per transaction. We had several rainouts this year and the officials did not get paid because they did not come. There is money within our official’s budget to pay for this.

MEALPAYPLUS DISCUSSION

Mrs. Gober stated that in the 2006-2007 school year, the district implemented a service for parents called MealPayPlus where parents can go online and electronically transfer funds into their child's cafeteria account that is related to the point of sale system. It was set up where the fees were paid by the school district. I came across this accidentally over the summer as we were changing some of the banking provisions and they needed a reauthorization of the account into which the funds from the electronic payments should be deposited. We paid $42,000 a year in fees. That $42,000 is a lot of revenue that can be put back into the program to maintain aging equipment and help to offset the cost increases in labor and benefits that are part of operating the cafeteria. It is recommended that beginning in January we notify parents that if they choose to continue to use the program that they would absorb the fees and that there be no additional costs to the district. When these online payments were set up in my prior experience, the parents absorbed the fees. The average payment that we have into the program is $33.72, which would incur a $1.60 charge. If parents are not interested in incurring that charge they are welcome to pay by cash or check that the student can bring to the building without any cost.

Mr. Tenaglia asked if the fee is based on the method of the online payment? Mrs. Gober responded no. We get charged whether it is an ACH or credit card.

Mr. Tenaglia asked if the parent opts to send cash that would be handled at the school? Mrs. Gober responded that the cashier credits the student's account and the checks are sent to the business office to be scanned for same day deposit.

Some discussion followed.

Mrs. Leeson raised concern with the younger children coming into school with cash. Can parents mail a check? Mrs. Gober responded yes.

Mr. Faccinetto stated that he is in favor of charging the parents the convenience fee. Why should the district subsidize this convenience fee with the state of our budget? Dr. Roy stated that this would not be an action item it would be an administrative change.

Mr. McKeon stated that he imagined that information would go out to parents informing them of the options available. Dr. Roy responded that is correct.

INFORMATION ITEMS

Mrs. Gober stated that this year we accepted payments within our office to help reduce the foot traffic volume and the costs that were incurred by the City for collection of taxes. As of September, we have collected almost 90% of our real estate tax. We are doing very well in terms of our collection. 48% of our revenue has come in through our lockbox and 7.8% has been done here in our office. The balance of about 44% has been collected in house at the City. We are pleased with the rate in which the revenue is coming in and the lockbox process has been working smoothly. Everyday we get a data file from the bank. We manipulate the date, clean it up and send it to the City in a format that they are able to post directly to their accounting system without having to do manual data entry, which they had done in the past.

AGENDA ITEMS FOR OCTOBER 17, 2011 REGULAR BOARD MEETING

A. **BAVTS SURPLUS**
Mr. McKeon stated that the board was saying no to this item for now pending additional information.

B. **PARTICIPATION IN THE RefPay PROGRAM**
Discussion above.

C. BID AWARDS – WINTER/SPRING SPORTS SUPPLIES
No discussion.

D. EASYPROCURE PROGRAM – PSBA/PASA/PASBO/PSDLAF
Discussion above

COURTESY OF THE FLOOR
None

OPEN FORUM
Mrs. Follweiler asked that the administration use the projector when there is a presentation so that it could be helpful to the members of the public to follow along. The more that is visible to the audience the better. If we can do something to improve that it would be helpful.

Dr. Roy stated that for in house presentations we could certainly set that up. Usually for Mr. Shearer's presentations he is doing numbers on Friday to bring before you on Monday but we can have paper copies and make them available. Mrs. Follweiler responded that copies would also be good.

Mrs. Follweiler raised concern with the $400 per person guideline for conferences. Some conferences total over $3,000 and should go on the agenda. I was looking at one that was several people for October 5, 6 and December 1, 2011. It's for power teaching in Math. It's a total of $3,100. I am not sure if it's both dates and same people or some people one day and some another day. Mrs. Follweiler stated that if the total conference amount is over $1,000 we should try to get it on the agenda.

Mrs. Leeson agreed with Mrs. Follweiler. I would like to see these items brought to the board for board approval but I don't know if we need to change the policy to do that.

Mrs. Cann stated that she also agreed with Mrs. Follweiler. It is important for the board to consider how many people are going to one conference. For us to send any number of people because it is under $400 is avoiding the purpose of seeing the conferences of a relatively large expense. The $1,000 suggestion makes sense, even $1,200 because then that would be 3 people. It would help to have some explanation if there are a lot of people going to the same event.

Mrs. Cann stated that Mr. Tenaglia suggested moving the meeting of November 7, 2011 to Monday, October 31 due to the election the following day. Mr. McKeon polled the board and it was decided that the meeting would remain as scheduled.

Mrs. Leeson stated that the Dual Language Charter School did not meet AYP and the kids did very, very poorly in comparism to the surrounding schools. If I remember correctly, we had budgeted $1.6 million for the Dual Language Charter School. I do not know if that is what we are spending but it is what was anticipated for this upcoming year.

Mrs. Gober stated that she believed that the $1.6 million was the budget for their first year in 2010-2011. I don't believe that we carried that forward for 2011-2012 because we based it off of their actual enrollment. I could not tell you specifically by school how much it was for 2011-2012.

Mrs. Leeson stated that there is a considerable expense to our district and we are cutting programs because of this money going towards a program that right now is not benefiting or providing the education to the students that we feel should be provided. The state is not providing subsidy to help us with that cost. This is purely local effort that is paying for this non-performing school. In the Charter it stated that they would meet AYP there first year and would increase performance 10% each year. They are in violation of their charter. Where are we going with this right now?

Dr. Roy stated that he did not know of any plan with this right now. I believe it was their goal that they set with the charter that they did not meet. They were underperforming based on the goals they set. There were other Charter Schools too that are not performing well.

Mrs. Leeson sated that she was not sure if those schools had in their charter targeted performances. I believe we are the oversight district for that charter school and I think we need to at least communicate with the state or start looking into what should we be doing. My larger concern is the students who are not getting the adequate preparation in this school but there is a financial concern here for our district as well. There are other interventions that we could be using that money for as opposed to putting it into a non-performing charter.

Dr. Silva stated that he felt that it was within his responsibilities as Chief Academic Officer to investigate where there is a need similar to the renewal of Lehigh Valley Academy Charter School. I made a visit and saw what the students were doing. I would be glad to do that. I will work with Mr. Burkhardt and whatever information collected will be shared with the board through a committee meeting. I agree with you that when there is a charter involved that the board has approved and there may be conditions that are not met, that has adverse effects on the kids that we do an inquiry.

Mrs. Leeson asked to check with the solicitor to check what our legal responsibilities are with this particular school.

Mr. McKeon stated that our own schools are underperforming and each school is required to submit an action plan. Do we have the right to ask to see their action plan before it is submitted to Harrisburg?

Dr. Silva stated that he would ask the solicitor and that may be the vehicle for the review.

The meeting adjourned at 8:40 p.m.

Minutes prepared by:

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