

BETHLEHEM AREA SCHOOL DISTRICT
BOARD OF SCHOOL DIRECTORS
PUBLIC 2008 - 2009 BUDGET WORKSHOP #4

APRIL 23, 2008

The fourth Public 2008-2009 Budget Workshop of the Board of School Directors of the Bethlehem Area School District was held on Wednesday, April 23, 2008 beginning at 6:09 p.m., in the Auditorium of East Hills Middle School, 2005 Chester Road, Bethlehem, Pennsylvania.

Members present: Directors Cann, Dexter, Follweiler, McKeon, Leeson, and Tenaglia - 6.

MEMBERS
PRESENT

Others present: Dr. Joseph A. Lewis, Superintendent of Schools; Mr. Robert Gross, Associate Superintendent; Mr. Stanley J. Majewski, Jr., Board Secretary; administrators, members of the press, and other interested citizens and staff members.

OTHERS
PRESENT

President Leeson offered Courtesy of the Floor to those present.

COURTESY OF
THE FLOOR

1. Debbie Trempel, 1058 Woodmere Drive – Mrs. Trempel addressed the proposal to cut Levy bus service to Swain school where her two children currently attend. She noted that Jim Lawless who also had students at Swain School spoke with Mr. Himmelberger and other parents about the issue and that she would be presenting his notes on their concerns. She noted that they didn't have the details of the proposed routes for the Swain students, however, there was a possibility of having several buses pick up students throughout the district with a drop off point at the Westgate Mall, then switch kids around and then funnel them off to various schools. The Swain students would be on the bus with students from the Jewish Day School and the Lutheran School. She noted that in the past this service caused delays in getting the Swain students to school on time and was concerned that the problem would return with the proposed plan. She said Levy was contracted in order to alleviate those issues. Presently, all three schools were approximately eight miles from the Westgate Mall, which was the morning transfer point. She stated that geographically there was a lot of movement and the start time of two of the schools was 8:00 creating the issue of kids arriving at school very early or late which was similar to what had happened previously. The same concerns existed with the drop off in the afternoon since the schools have differing end times so one starts to wonder how long would they be on the bus. Mrs. Trempel requested that the routes be mapped out and tested during the current school year and not during the summer when traffic flow was different. She suggested reviewing the timing to see if it was a realistic thing to do. She also said to look at the cost savings with the actual plan in place.

Mrs. Trempel stated that their group believed that the Levy cost was reasonable. According to her notes, Mr. Himmelberger quoted \$45,530 as the cost which did not include the per student state reimbursement to the district. Moreover, the per student, per day cost of \$15, which would be less if the district took the reimbursement, hardly seemed to be excessive to transport their students within the district to and from Swain. She noted in terms of Bethlehem's budget, historically transportation was huge and simply eliminating Levy did not address the replacement costs and reasonableness or reliability of district provided service. It was doubtful that district-related costs would be any less expensive. Worse yet, the assumption in the proposal was that there would be no incremental cost to existing service resulting from the elimination of the Levy-Swain contract. She stated that it was clearly a significant added cost for the added time, driver's salary, miles, fuel, administration, and equipment. She asked that the costs noted be further investigated. She referred to the statutory requirement to provide transportation for students attending non-public schools in which the legislature intended to allow parents and students to have a clear choice of schools attended and to eliminate transportation as an issue in the school choice decision. She further noted that it was believed that fostering school choice provided districts with incentives to compete for students and make quality academic offerings in public schools to attract students who might otherwise attend non-public schools. The legislature also believed that non-public schools reduced the cost burden on districts as individual parents and non-taxpayers paid for the education of the children. She spoke as a parent with school-aged children who lived and worked within the district and paid substantial taxes, and chose to send their children to non-public schools. The only benefit they received from the district was transportation. She stated that it was obvious that the cost of transporting their children to Swain was far less than the cost of educating them. Mrs. Trempel reiterated that they were asking them to still provide safe, reliable and timely transportation for their students.

President Leeson asked Dr. Lewis to look into the issue and perhaps report back to them at the Finance Committee Meeting.

Dr. Lewis agreed.

Director Dexter noted that she had additional questions on the issue and asked if she could address them tonight.

President Leeson acknowledged her and proceeded with offering Courtesy of the Floor to others. Having no further speakers, she moved into the budget portion of the meeting.

President Leeson asked Mr. Majewski and Dr. Lewis if they had anything to present to the board.

BUDGET
DISCUSSION

Mr. Majewski indicated that he had nothing.

Dr. Lewis stated that copies of the budget were made available to the board and that it was posted on the website. He asked the board how they wanted to proceed, whether there were items that they wanted to discuss or if they needed additional information. He noted that this was technically a budget hearing where they had the opportunity to have this type of dialogue and to gain a sense of how the preliminary budget would look.

Mr. Majewski noted that they did need confirmation of the \$5 million in recommended cuts. He needed the board to review these cuts and determine if they were going to be accepted, reduced or eliminated. He added that there needed to be discussion on how to fill any budget holes that needed to be filled.

President Leeson stated that they have been notified that there would be a \$2.6 million shortfall due to revenue. She wondered how they were to address that issue and were currently considered running a deficit fund balance. She noted that either way they were going to overspend the money that they had. She asked how they were going to address the \$2.6 million shortfall in revenue and secondly if that was projected in next year's budget.

Dr. Lewis referred to his memo to Director Leeson dated April 18th which stated that he and Mr. Majewski discussed this issue. They proposed that they rebuild the fund balance from day one, July 1, 2008, through conservation, cost containment, and increased monitoring to assure the absolute appropriateness and need of each expenditure. As Mr. Majewski pointed out, there was the \$2.6 million fund balance deficit that needed to be rebuilt as they were in essence, monitoring every single purchase. They would start from day one with that same premise, looking at each item to determine if it was a necessary purchase, could it be repaired, or could it be conserved in greater numbers.

President Leeson stated that she had the greatest confidence that the administration would do that but she was uncomfortable going forward with a budget when they were looking at \$2.6 million of that type of conservation. She hoped that they would rebuild the fund balance but they were starting in a hole. She would like to know how they were going to fill the hole before moving forward with building the fund balance.

Dr. Lewis stated that they needed clarification that it was not a deficit budget.

Mr. Majewski agreed that the deficit needed to be addressed but felt the first issue was to determine a budget where next year's proposed revenues and expenditures were equal. Once the budget had projected revenues and expenditures that were equal, the process could then proceed in determining additional cuts to keep the tax rate as it was and put money towards reducing the deficit fund balance. He thought it was premature to discuss how to reduce the deficit fund balance issue for next year's budget before having a balanced budget for next year of which they were comfortable.

Mr. Majewski noted that between now and June 30th they would not erase the \$2.6 million deficit. They probably needed to do that over the next two years. The first step was to establish a good starting point for next year's budget and then improve upon it.

President Leeson restated her concerns about the fact that they had a balanced budget last year but they ran approximately \$2.6 million in the hole. She asked what safeguards were in place to prevent that from happening again and what was being done about the deficit from last year.

Mr. Majewski outlined the new processes that had been put in place over the past several months that included the improved monthly reports that illustrate more timely information on expenditures. They were looking at the reporting of revenues and noted that the cycle of revenues is not such that could be projected early on, but they were identifying where the revenue weaknesses existed. He noted that there was not much that could be done about the weaknesses since they were driven by the market and economy. In the current year they were trying to scrutinize everything they were spending to minimize the deficit at the end of the year and address next year's budget. He stressed that developing a balanced budget without the use of a fund balance was the first step. Before they could erase the fund balance, they needed to have a budget where revenues and expenditures were in agreement, then they needed to decide where they could go from there. He asked if they were going to make further cuts and keep the tax rate where it was and then build in a budget amount for return of fund balance? Did they do a portion of that for next year and when addressing the following year's budget then look at possibly cutting even more and combining that with a revenue increase in taxes so that they could look at eliminating the deficit? Before moving forward, they needed a good starting point which was why he suggested that the board take a look at the proposed budget to determine if they was an agreement upon the cuts and that they had a balanced budget. They could discuss further cuts once it was balanced and put an item in as a replenishment of the fund balance or should they approach it in a different manner. He suggested they look at the budget to get the expenditures and revenues equal and then discuss the next step. He thought they were getting ahead of themselves by talking about how to address the deficit when they didn't have a budget where they felt comfortable in that the revenues equaled the expenditures for next year.

Director McKeon asked that since there is no fund balance for this fiscal year, was the district legally allowed to run the deficit?

Mr. Majewski confirmed that the district is not allowed to write a deficit and that they need to come up with a plan to be able to correct that. He stated that usually is not required to be done within the year but that the district is typically allowed up to three years to correct the problem. The district has a responsibility under the school code to not have a negative fund balance.

Dr. Lewis directed President Leeson to his cover memo, which identified \$5.71 million in reductions. The required to meet the required 5.4 index was \$5.56 million. So, hypothetically, if the board was to accept the red identified items, there is \$150,000 that can theoretically be earmarked to begin the replenishment process of the fund balance. In addition, he brought attention to a few more areas that are identified in blue on the spreadsheets they provided that could be considered as some additional adjustments if absolutely necessary. He believes that they are roughly \$100,000. A total replenishment of approximately \$250,000 could be achieved by accepting those adjustments that were recommended as of April 16th. He would not recommend taking the cuts to reduce the increase as he noted in his memorandum whatever the final budget arrives at will be a major indicator in determining next year's index. They don't want to jeopardize that piece in the process.

Director Cann agrees with Mr. Majewski that it makes sense to take things in order but she wants to understand that if they have a \$2.61 million fund deficit does that mean if they save and put into the treasury \$2.61 million they will be at zero. It was confirmed that this is correct.

President Leeson asked what was used to project the revenue side of the budget. She indicated that last year they projected the revenue side and have fallen \$2.6 million short because of changes in the economy. What is being used to project the revenue side?

Mr. Majewski replied that they projected an increase in revenue based on the assessment information provided by the counties at this point. They certified those figures. However, he referred the board to the letter of transmittal that addresses the millage and the value of a mil, indicating that there is some uncertainty there. As they monitor the "collectability" of a mil, there is a possibility that the figure may need to be reconsidered which is noted in the letter. At this point, although he feels that these numbers are reflected accurately at their low state, if the local economy were to erode even further, these numbers are going to be high.

President Leeson asked where they could project revenue that it would reflect a comfortable position.

Mr. Majewski commented on two areas in particular. The first was the real estate tax collection. The potential that they would have a \$600,000 – 700,000 collection that was lower than projected was a possibility right now. The other area he was concerned about had everything to do with the state budget. He noted that the state had previously indicated that they would be at least partially funding and phasing in money under the “costing out” study, however, they decided to earmark \$976,000 of that as categorical money that would need to be applied for and treated as if it were a grant with only 10 percent of that being allowed to pay for existing programs. He stated that the remainder of that might need to be used for expanding certain programs. Over the next month, they would be taking a look at what they presently had in the budget that would qualify, but some of it was soft. Until they went through that process, it might be that they could not lay claim to all of that state money. If the state did not pass the budget or buy into the governor’s “costing out” funding under his budget, the \$976,000 that sits in the district budget right now to help balance the budget might not be available.

President Leeson noted that Mr. Majewski projected an 8.91 percent increase in the governor’s proposed budget. She asked what would make him feel comfortable.

Mr. Majewski stated that two things would make him feel comfortable. One, that the state would actually approve their budget and he would know how much money was available and what the qualifications would be on those monies. He stated that would be a huge hurdle. Two, he would like to know exactly how the state was going to treat that “costing-out” money. If it was money that they would allow the district to put in the budget and use as needed as opposed to way they are now saying the district would be required to report it, that could create another budget hole.

President Leeson asked what numbers would make him feel comfortable reporting as numbers for next year.

Mr. Majewski said that it was still a little too soon but there were several people who needed to determine how much of the \$976,000 that they could place in the application and know that they could receive just based upon what they have in the budget now. That process has not taken place. He is not even sure that the application is available for them to start that process. Once it is on the web and they can start going through that, then they will have a better feeling as to what can be put in that application and lay claim to. So he can’t give a number there but he is not really comfortable with several hundred thousand dollars of what is in the governor’s budget coming for us because of the way they are requiring the district to apply for it.

Dr. Lewis indicated that the application needed to be submitted by May 19th. He said that one of the things they wanted to do was to sit down with Mrs. Cintrón and Cabinet to discuss eligible programs and expenditures where they anticipated some growth that could fall under that possibility. He indicated that this process was a surprise to those who participated in the webinar on the program. They knew based on an email from the UI that an application was necessary however; they did not know that the distribution of those funds was going to be categorical. He indicated that it created a major problem. He acknowledged that the costing-out study generated increased dollars but then to be told that it couldn't be used where it was needed created a problem. Dr. Lewis noted that Mr. Majewski was unaware of this stipulation until he participated in the webinar. There was just under \$1 million at stake and the district may only be able to redirect 10 percent of it. They thought it would be a greater amount but could not give an answer today.

President Leeson restated her impression of the situation to be that if the district could find a way of reducing the budget by \$1 million or at least not depend on another \$1 million in revenue, they would be better off. She is hearing \$600,000 - \$700,000 lower in real estate and a \$300,000 - \$400,000 in the state funding. So if there was some way that the board could balance the budget with \$1 million less revenue, then that would be the correct situation.

Her statement was answered affirmatively.

Director Dexter asked if the administrators had an idea of how the money might be used if it had to go to new programs. She asked what would qualify as a new program. For example, if the board cut something tonight and then received money from the state and the program was reinstated, would that be considered a new program?

Dr. Lewis stated that they addressed that scenario with the redesigning of the reading program. Would the redesign be considered a new program and could it be expensed out to those dollars? They needed to get an answer to that but that was their thinking.

Director Dexter went on to ask about textbook purchases on the list. She was not sure what textbooks they were but she referred to the middle school where parents were told that there were not enough textbooks to allow students to take them home. If textbooks were purchased as an upgrade...?

Mr. Majewski did not see that as one of the areas. He clarified that some of the areas from the webinar included the prepay programs, advanced training for teachers, tutorial programs, tutoring for students, and expanded learning opportunities like the reading program. Those are the type of things that the state was looking at qualifying with the ACT funds. The state had identified specific areas where the district needed to comply and textbooks would not have been one of those areas.

Director McKeon asked Mr. Majewski what he would project the delinquency percentage to be under most normal business circumstances.

Mr. Majewski qualified his answer by stating that normal is whatever the trend was showing at the time and it varies from time to time. It recently was around 97 percent, which is not normal. It is typically high. Normal collection percentage range probably was somewhere around in the 96.1 – 96.4 percent range. That is where he would consider normal collection for the district. Mr. Majewski stated that they were potentially looking at some collection rates that are now looking closer to 95.8 – 95.9 percent, so it might go below what he views as the normal collection rates.

Director McKeon asked what Mr. Majewski currently has built into the budget collection-wise.

Mr. Majewski noted that he has 96.4 – 96.5 percent and that was his caution. His worse case scenario might be \$23,000 per mil short. He did not, however, believe that it could be that bad, but, it potentially could be, if the trend continued. He thought it would probably be somewhere in the middle.

Director McKeon stated that he thought the board should look at the most conservative collection rate possible and if it came in better it would fund the balance down the road. He wanted to attack it from that perspective first. He stated that either they decrease the reserve or reduce spending. He further clarified that it is not the reserve but that they address the uncollectible by increasing that percentage and keeping the revenue the same.

Mr. Majewski referred back to his initial comments about what he believed the priorities were when they trying to look at addressing the deficit. The first thing is to make sure they had a balanced budget for next year. They could determine how they could improve upon that. Their task was still formidable to try to develop a balanced budget with the not to exceed index in place.

President Leeson addressed Mr. Majewski regarding his noted worse case scenario of \$23,000 less. She then noted that he was estimating an increase of \$22,940. She asked for clarification if it meant a zero increase or was it \$23,000 less than the \$22,000.

Mr. Majewski explained that the value of a mil with the assessment increase we have this year is going to be flat, as opposed to potentially having any type of increase in the collectible value of a mil.

President Leeson asked how much it impacted the budget total.

Mr. Majewski stated that if she looked at the full 23, it's about \$900,000 - \$920,000. He settled on \$900,000. He further stated that would be the worse case. If it was somewhere in-between, it was probably about half of that, but the worse case is \$900,000.

President Leeson stated that they are still looking at \$1 million, actually closer to \$1.2 million or so, that would make this budget more realistic and more palatable and comfortable at this time,

President Leeson suggested that the board go through the transmittal letter summary first and address any questions with it. Then they go line by line through the cuts before working through the budget book. She asked for questions about the revenue information that was covered. There were none. She then asked for questions about the expenditures.

Director Cann addressed previous discussions about reductions in positions of teachers and administrators being accomplished through attrition and things like that. She asked for assurance that any reductions that are made in positions do not necessarily mean reduction in personnel other than through attrition, retirement and so on. She referred to the Reading Recovery® program having ten less people.

Dr. Lewis responded that the district had 24.5 instructional, none of whom would be ripped. However, they had two more reading placements and were anticipating the administration adjustments were also without reduction in force as well. With regard to support staff, to his knowledge, there were two maintenance positions and two secretarial.

Mr. Majewski clarified that the two maintenance positions were being redeployed elsewhere.

Director Cann was looking for confirmation that the end reductions were not going to affect any staff; perhaps redeployment but not loss.

Director Dexter added clarification by asking about layoffs.

Director Cann confirmed that was what she was trying to determine.

Dr. Lewis stated that there was a reduction in force and there was a reduction in the number of people needed to run the district but people were not being laid off. The attrition covered the reduced positions. He also noted that the public relations area is still unresolved. He noted that the position was still in place but was scheduled to be eliminated.

President Leeson stated that it was the position of the board that no individuals were eliminated but that the goals of the budget were achieved without any unwanted loss. She stated that the board believed this to be a morale issue for the entire work force.

Dr. Lewis requested to discuss this issue with the board in executive session in order to address several legal issues pertaining to any adjustment in staff. He indicated that he spoke with Mr. Spry and Mr. Gross. He agreed that they could certainly take the board's direction and look at the issues. He noted that whatever the decision, it took \$115,000 to run the department that is redlined. The board would have to look at how people could be saved but the position was eliminated. He asked the board for direction.

Director Dexter moved to break for an executive session in order to discuss legal issues that Dr. Lewis might have.

The motion was seconded by Director Leeson.

The board went to executive session at 6:48 p.m.

The general session reconvened at 7:08 p.m.

President Leeson reconvened the general session and thanked those in attendance for their patience. She noted that the board received additional information regarding the staffing issues but they have additional questions that need to be brought to the solicitor. She advised that this issue will be tabled for the night and the board would move on to the next issue.

President Leeson asked for any more questions regarding expenditures and recognized Director Cann.

Director Cann made a pitch for updated computers for the school nurses. She stated that she understood that they have been waiting for 10 years for new computers to use in their offices. She considers their role as a very important one. Items that may be considered routine like height, weight and BMI can be very important in a critical situation when someone needs to know the status of a child that does not possibly have their own pediatrician and they need to see what their history is. She stated that it is so important to have computers that keep track of what medication a student takes, what they are allergic to, what their underlying conditions might be, to be able to react very quickly. She equated them to emergency rooms in our schools.

Dr. Lewis responded that he did not believe that the technology in the nurses' office was 10 years old.

Mr. Washington responded that he did not believe that they were 10 years old but was aware that they were up for renewal.

Director Cann stated that it was her understanding that they had been up for a while and that requests had been made for new computers for quite some time because the hardware was so old that there were programs that school nurses are recommended to use and they won't work on these computers.

Mr. Washington responded that the program that the nurses are recommended to use was an outside program. He stated that for security reasons there was an issue associated with going to that program. The BMI information and pertinent concerns had been discussed with Kathy Halkins. He noted that Frank Arbushites and Kathy met with those folks last week.

Mr. Washington stated that Patrick Larkin had written the present software package for the district. The goal was to make sure that when the eSchool PLUS was brought in, the software matched it as close as possible. He stated that the nurses had laptops and that the health assistants had the Red Rubies that sit on the desks. He stated that Mrs. Lutcher had gone through to make sure that the hardware could handle all of those things.

Director Cann questioned that they have what they need. She understood that they had been asking for quite some time for ... and they are not ones to ask for things unnecessarily.

Mr. Washington stated that of course they would like to have them updated. They wanted them moved as quickly as possible. But he restated that they have gone through and made sure that those things are working to the best of his knowledge.

Dr. Lewis stated that all the nurses had the new laptops.

Mr. Washington clarified that the nurses had the laptops but in the health suite they had the Red Rubies or the Blue Rubies.

Dr. Lewis asked if there were any complaints about database maintenance.

Mr. Washington stated that they wanted them updated and that they always wanted them updated, but if the computers were functioning they were being used.

Director Cann asked if there was a program that they were not able to use.

Mr. Washington stated that it was the district's current program written by Patrick Larkin. He knew that they were pushing for something to come from Highmark 5, which was an integrated, physical education health piece, but he talked with Child Accounting and Technology. His biggest concern to using that software was not that it did not match or they can't run it, but issues with FERPA (Family Educational Rights and Privacy Act). He gave an example of a physical education teacher opening records for his class but then having access to other classes as well. That teacher did not have a right to know that information.

Director Cann pointed out that one of the cuts was for computers for the nursing staff.

Dr. Lewis indicated that it was for the desktops for the health assistants. He stated that they are next on the list for replacement but that the whole replacement initiative had been pushed back.

President Leeson directed the group to the white pages which were the introductory pages to the budget and that they were in the expenditure areas. She asked for questions.

Director Follweiler asked about the item listed for \$734,000 for upgrading or replacing of textbooks in the subjects of math, reading, language arts, and science. She had the understanding that only social studies books were being replaced. She asked for clarification on what the \$734,000 included.

Dr. Lewis responded that as far as the upgrade, she is correct. The replacement books are of a different nature. He directed her to the bottom of the second page. There was discussion to determine the detailed information of the item. Upon review it was determined that the proper figure should be \$500,000. It covers science and math books at the middle levels. It also included some reading materials. It was also determined that the \$500,000 was referring to the current year. This information was located on the summary page but was correct in the budget.

President Leeson read from the budget. "Technology initiative in the district has been slowed and limited to grant-only purchases for the most part." and "The S.K.I.L.L. 21 laptop initiative and replacement initiative will not be included in the general budget. We will look for outside funding sources." She asked if the district can use outside funding sources to fund some of the existing technology rather than to expand it.

Dr. Lewis responded that generally the grants sought by Mrs. Lutchter could not be used to supplant. He gave an example of paying off a third year of a lease with the acquisition of a grant. The grants that are sought must be for additional equipment, infrastructure, etc. He asked if Mrs. Lutchter wanted to weigh in on the subject.

Mrs. Lutchter confirmed Dr. Lewis' assessment. The grants that the district has coming in are to be used on new equipment and the criteria attached to it, whether it is middle level or a high school. For example, Classrooms for the Future is specifically for high school core areas so the money could not be used in any way for middle schools or elementary schools. She referred to the ETT grants that was just funded and which was for a continuation of software and professional development. She noted that the leases presently in the general fund did not have grant fund options that were tied to fund those areas.

President Leeson asked if it would be possible to renegotiate the leases.

Mr. Majewski stated that the leases were with GE Capital, which was not an easy company to work with so the options might be to see if there could be an advanced payment to pay off those leases with GE Capital and restructure it with financing from outside sources.

Mr. Majewski stated that before he would start to do that, he would need to know the parameters because one way to save money would be to extend the payments but then you are looking to pay on equipment you probably didn't have. He noted that the interest rates on those leases are definitely sub 5% so he does not see getting a lower interest rate from another leasing company. The only other option would be a longer term. He is not sure if they want to be extending because then they would be paying on equipment they don't have.

President Leeson asked if it would be possible to renegotiate with Apple.

Mr. Majewski stated that Apple does not have the financing.

President Leeson clarified that it would not be for the financing but for the whole structure of the leases.

Mr. Majewski reiterated that the leases are with GE Capital so the discussions would be with GE Capital, not Apple, because they were the ones who held the paper right now. The district made the payments to GE Capital.

President Leeson pointed out that she is only asking questions and not recommending anything. She asked if it would be possible to return the units and get credit.

Mr. Majewski stated that the only way it could work would be if Apple agreed to pay off a portion. He stated that he was not even sure the district could return the units. If they were able to return units, Apple would have to agree to do that and come up with a value. He noted that with all the new equipment, they probably didn't have a secondary market. They then would have to make a payment to GE Capital on the district's behalf. He believed this option to be highly unlikely. He said that the first step would be to determine if they would be able to turn back a certain number of units.

Mrs. Lucher noted that when someone returned units, they would receive a value of the unit equal to the market value today which was going to be far less than the lease amount that was originally quoted. She said that if they looked to GE Capital to extend the lease period of time, the lease included a warranty on the items for the period of time that the lease was in place. The last lease was a four-year lease with a four-year warranty on the unit.

Mrs. Lutcher said that as units were kept beyond the lease cycle, they were no longer under warranty so that when they were in need of repair, the district would then have the additional cost of repairing those units. As the life of the lease was extended out, payments were still going to be made on the lease but the units were also going to be beyond the warranty period and it became a matter of paying the cost for the parts and they had to determine whether or not it is worth it.

Mr. Majewski stated that an additional consideration was when they have those computers and were no longer able to keep them. They would be replacing them and would be making payments for units they did not have. They could look at trying to renegotiate with Apple but anything they do would not be a good business decision. They were trying to buy some time by lowering the financing but they were definitely increasing the cost to the district by doing so. He noted that they are paying at a rate of 2.9 percent on some of those leases, which was the lowest on the market. He stated to keep in mind that it was a very tight credit market. He was not sure how receptive GE would be to renegotiate with the district because it signaled to them that the district was in trouble. He said that GE was trying to get that type of loan off their books, so they might just say no.

Director Follweiler agreed with Mr. Majewski about the lease. She noted that attempts to cancel leases didn't work. There is an obligation to pay the full value. She asked Mrs. Lutcher if she was correct in remembering that the leases were restructured because of a technical issue with some of them so that each year a different group of computers comes lease end.

Mrs. Lutcher confirmed that a group 1,200 computers came off lease and warranty in September.

Director Follweiler asked what happens to those computers. She asked if the district turned back those units and leases another set or were they kept and the district owned them.

Mrs. Lutcher noted that this was the first time the district must make a decision like that. She said that the ones that were turned back before were faulty. Since they were faulty Apple wiped out the remainder of the lease for those units. The original intention when the lease cycle was put in place was to have a refresh cycle so that every four years a part of the district was refreshed, then those units would be taken back and new units would come in. When you do a refresh cycle with leasing, the account line was built up to a certain threshold, a certain amount, and then it just becomes a line item and is cycled through so that you have a refresh in the high school and a refresh for the teachers. The district is not at that point where was it is built into the budget.

President Leeson requested confirmation that there was no replacement built into the budget for the 1,200 computers that were coming off lease this year. She asked if the district owned the units once the lease was over or were the units turned back.

Mrs. Lutcher indicated that there was a dollar buyout. The reason why there was not a refresh cycle in place yet was because the leases for the first three years of the S.K.I.L.L. 21 initiative were funded with bond money and that was one-time money. When those leases go away, that money also goes away. It was not built into the budget. Since then the district had leases that were part of budget, which were not yet up. When those leases were up, the district would be in a refresh cycle for that small portion. There was the other two-year cycle that is a bond and that money was not refreshed.

Mr. Majewski added that the district was looking at approximately \$1 million in next year's budget, another \$1 million in the following year and then it dropped down to just under \$500,000 and then nothing.

Mrs. Lutcher confirmed Mr. Majewski's comments and suggested that the board keep that money in the budget because there will need to be some refresh. If the money is taken away, then there will never be any new equipment.

Mr. Majewski noted that he meant that is the districts obligation and anything would be in addition to that.

Director McKeon he recalled from lease discussions from last year that there was a dramatically reduced payment to get the district out of the lease.

Mr. Majewski noted that effectively the district ended up not paying anything that first year. There was an \$800,000 that was to be made on another existing lease that Apple made for the district.

Director McKeon inquired about the specific fiscal year.

Mr. Majewski responded that is was for 2006-2007. He corrected himself to indicate that it was actually August 2007 and that there would be a dramatic reduced payment in the second year. Last year it was \$400,000.

Mrs. Lutcher noted that it was only an addition of \$25,000 and the other lease payments paid in place. They took the equipment away, brought in new equipment, essentially replaced one with the other, and made the lease payment for the district.

Director McKeon expressed his concern as he looked at the spreadsheet from January because he did not see a drop. He noted the same \$500,000 basically going forward until 2010, 2011. He thought that if the \$25,000 additional payment was included the lease expense would have dropped because someone else made that payment.

Mr. Majewski responded that there were other existing leases in place, which was why he did not see a drop. It did not really drop off until 2010 – 2011.

Dr. Lewis added that the individual leases were valued roughly at \$250,000 - \$500,000 annually, so he was seeing a combination of leases.

It was clarified that for 2007-2008 there were two overlapping leases.

Director Follweiler asked about the 1,200 units coming off of the lease.

Mrs. Lutcher indicated that the intention was to buy the units at the end of the lease.

Director Dexter asked for clarification that the new budget did not include money to buy new computers to replace the 1,200 that were coming off lease.

Mrs. Lutcher confirmed her statement and noted that the district did not have funding in the budget to buy new computers. It includes funds for isolated computers for specific needs or servers for infrastructure, but there was not a large number of computers being purchased in this budget. The only large quantity purchase for next year would be if the district would be funded for Classrooms for the Future. She indicated that she had applied for that grant.

Director Tenaglia reiterated that there are 1,200 computers coming off lease. He asked if they were going back to Apple or were they being purchased.

Dr. Lewis responded that the district would go back to Apple when the lease was over and ask them if they would absorb the \$1,200.

Director McKeon asked that since the district will be keeping the laptops has there been consideration of projected maintenance costs.

Mr. Majewski confirmed that maintenance costs for these laptops have been included in the 2008-2009 budget.

President Leeson addressed the decrease in athletics by \$7,788. She read from the budget, "Factoring inflationary increases into the budget modification, the total reduction to athletics was \$58,324. This year's budget has not permitted lacrosse to be added." She noted the Interscholastic Athletic Budget indicated a 12 percent increase.

Mr. Majewski believed she was looking at an amended budget as opposed to an original budget. He noted that the original budget from last year had been amended this year because of reductions in spending that occurred in the current year within the athletic program.

President Leeson directed the board to page 10 in the Comparative Statement of Expenditures where it shows last years budget of \$1.4 million going to \$1.598 million in Interscholastic Athletics with an increase of 12 percent, but the summary indicated a decrease.

Mr. Majewski asked the board to take a look at the summary where it indicated "Amended Budget" on the top and then go from Original Budget to Proposed Budget where there was a reduction of spending. He noted that it was approved at \$1.6 million. The proposed amount for next year was \$1.598 with a difference of almost \$8,000 from the original budget. From \$1.606 to \$1.598.

President Leeson asked about the \$58,314.

Mr. Majewski responded that it was the actual reduction in budget, but they looked at what it was going to cost the athletic department and they had proposed cuts. They effectively had the \$53,000 in cuts, When they were taking a look at their current spending needs based upon the increasing costs, it would be \$50,000 higher than what was indicated. They had cut back, not just in real terms, from budget to budget, but they have really cut deeper than it appeared because of inflationary increases in their costs. There are folks getting increases in contractual salaries, health benefit increases, and they increased the cost of supplies. He wanted to have it pointed out that they have not only cut budget to budget but it was actually deeper than just looking at a \$7,000 or \$8,000 cut, because they had increases in costs that they have had to recognize just like everyone else.

President Leeson responded that the amended budget, which was basically what they anticipated spending by the end of June, was \$1.4 million and next year's budget was close to \$1.6 million. There was a 12 percent increase in the amended athletic budget to the current proposal. Even if last year they expected 1.6 and they are closer to 1.4, the amended budget is what they spent.

Mr. Majewski responded that at this point, the amended budget was where he expects them to be at the end of the year.

President Leeson reiterated that would be \$1.427 and they were projecting \$1.598, which did not indicate a deep cut.

Mr. Majewski noted that he did feel it necessary to recognize that there were cuts in the athletic budget.

Dr. Lewis stated that Mr. Majewski is correct in his assessment but that he wanted to take a look at it more closely.

Mr. Majewski also noted that part of the issue may not be the expenditures but could be the revenue.

Director Dexter asked what was meant by the reference to revenue. She indicated that if the district took in more money it would not require that it spend more money.

Mr. Majewski understood her statement and that he is not saying that it did but the focus has been just on the expenditures and maybe revenue needs to be looked at as well. He indicated that her statement was not a justification for more but that it could be a justification for reduction if there is more revenue. Mr. Majewski indicated that they needed to get inside of that to find out if in fact it is and they would be able to understand why it should be lower. He also indicated that they may need to take a look at the amended budget to determine if his projections were low for where they're going to be this year. He indicated their trending might be underestimating it and that they need to take a more careful look at it before lowering funds.

Director Dexter asked if anyone was present who had the athletic budget.

Dr. Lewis indicated that Dr. Donaher oversaw that budget.

Mr. Majewski offered to have the athletic budget in a proper format available to be included in the mailing that weekend.

President Leeson commented that as they were looking at the reading programs and making some significant cuts in many other areas, she thought that the board needed to hold the line in athletics. She believed that the board values the extra-curriculars but she did not think it was quite fair to see an increase in athletics and then have a decrease in curricular programs.

Director Tenaglia asked about future board meetings between then and June and if there would be another budget hearing prior to the May meeting.

President Leeson stated that would be decided at the end of this meeting and that possibly some of the questions could be answered at the finance committee meetings.

Director McKeon stated that he believed the size of the coaching staffs needs to be addressed and what the district was willing to fund. He stated that there could be as many coaches as desired but there was a theoretical head count that the school district was paying for. He questioned if the district should be funding it at that level based on the current financial projections.

Director McKeon gave an example of basketball having four coaches and asked if the district could afford four coaches. He proposed having four coaches but funding three and then have the coaches share their salary. He indicated that it was small change but he feels it is something that needs to be looked at.

Dr. Lewis asked if the supplementals were listed by number of assistants.

Mr. Gross answered affirmatively.

Dr. Lewis offered that they would take a look into the issue but it might be contractual.

Director McKeon stated that he did not understand how it could be contractual.

Mr. Gross explained that there were a certain number of contracts and some sports would take one of the assistant's stipends and break it into two. He noted that there was an allotted position equivalency per sport, which was part of the extra duty package of the collective bargaining agreement. He further indicated that it was the teachers' contract from years ago.

Mr. Majewski indicated that he looked more closely at the athletic budget and was able to uncover that there was \$60,000 in the athletic fund balance, which was assumed to be disappearing when looking at the amended budget by the end of the year. He factored that into the reduced transfer into the athletic budget. He indicated that it was one time money, but it still did not account for all of it.

Director Dexter referred the board back to the computer discussion and the data processing department budget on page 28. She thought she had identified the increase. She noted that the 2007-2008 amended budget had \$157,200 for repairs and maintenance and then \$263 for next year.

Mr. Majewski clarified that with the new software packages that item is very likely software maintenance on the Bi-Tech package as well as the new SIS system.

Dr. Lewis added that there was a parallel system running which creates a need for a service pack on the UNIX system. He further clarified that the existing system in place for financials was not abandoned while the new system is implemented. He indicated that both systems needed to run simultaneously. The old system would still need to be maintained and the maintenance package needed to be purchased. He stated that Mr. Majewski wanted to run multiple cycles, like payroll cycles, to verify that the new software was generating the same numbers as the old software.

Dr. Lewis explained that Mr. Majewski was going to run a concurrent number of months and the number of months had to be determined. He noted that the old and new hardware must be maintained until Mr. Majewski was comfortable that the new software was functioning properly. The old box could then be disposed.

Mrs. Lutcher added that as the year progressed, there were so many more areas other than payroll that needed to be monitored throughout the year, some of which only occurred once a year like W2s. She stated that the parallel systems needed to be in place for at least a year.

Mr. Majewski indicated that what is not is the additional parts that may be needed for the laptops. That may be the other part.

Director Dexter asked where she could find the additional maintenance and parts for the laptops in the budget.

Mr. Majewski directed the board to page 74.

Mrs. Lutcher reminded the board that the amounts in the proposed budget have been affected by items coming off of warranty, the issue with the faulty laptops which cost is not incurred any longer, as well as the reduction in the telecommunications services. All of which were bundled into the TK budget.

President Leeson questioned the conference and travel expenses of \$6,500 in Technical Services and \$9,000 in Data Processing have been increased from last year's amounts of \$2,500 in Technical Services and \$7,575 in Data Processing. She noted that Dr. Lewis had been paying very close attention to conference and travel. She recalled that the board has been talking about using grant money for conferences.

Mrs. Lutcher responded that grant money can be used for conferences that are instructional for instructional staff. Those funds come out of the TL budget. The TK and the TM are not instructional staff. They are support staff and grant money does not pay for them. In addition, the conferences that the Data Processing staff was attending, the new system for Eschool, the new system for IFAS, it is listed under conferences but it is also additional training. She gave the example of Mr. Larkin, who wrote a lot of the special programming, was going to a conference on a software package called Lasso. This was a special piece of software, which is how he got his professional development.

Dr. Lewis asked Mrs. Lutcher how many people in TM580 would be serviced by the \$9,000. He asked if that would cover Ms. Bachman's training. Mrs. Lutcher responded with several others whose training is covered as well as Ms. Bachman. He confirmed that those people are being trained in the "back bone" system that literally administers the entire district.

Mrs. Lutcher also stated that the line item is not just for conferences but also for travel. She noted that there are only two vehicles provided by the district and a lot of the staff is very mobile and travel to many different locations. So included in 580 are not only conferences and workshops but also a monthly mileage amount for the staff as they have to move from one place to the next.

Director Cann referred back to the TM account on page 28 and the TK account on page 74. Director Dexter's reference to the expenditure on page 28 under the maintenance services is now \$263,000 but the concurrent systems was actually listed on page 74 so they still have the increase in repair maintenance on page 28. She asked what created the differential.

Mrs. Lutcher responded that the increase in line 430 on page 28 was for the additional maintenance charges because the district was going to parallel systems for the financial programs. The repairs for the units coming off warranty was under the TK 610 line which is a lesser amount than this year and bills to the equipment that was no longer as faulty. Mrs. Lutcher stated that it also took into consideration that every year they had equipment, it became obsolete, and was just not repairable.

Mr. Majewski confirmed with Mrs. Lutcher that this was a transition year and once the district was able to cross over to the new software and have run concurrently they would be able to drop the software maintenance on the existing system.

Dr. Lewis pointed out in TK on page 74, the drop on line 530 was the result of Mrs. Lutcher's initiative to go IP on the phone system. He noted that previously the district was paying \$300 to move a phone, but now it can be moved to another location and be plugged in while a staff person can reroute the data line, which resulted in almost \$100,000 annual savings.

President Leeson referred to bullet number 4 on the third page of the summary and quoted, "Funds totaling approximately \$1,358,013 are included for the increase in intersystem payments to educate children through programs operated by the Colonial Intermediate Unit 20, Bethlehem Area Vocational-Technical School, approved private schools, and charter schools." She asked if this was an increase or if it was a total.

Mr. Majewski responded by referring her to page 45. He outlined that the current budget/amended budget of \$19.5 million, a proposed budget of \$20.8 million, with the difference being \$1.3 million and then the detail is on Exhibit GF-A. He noted that all of the different increases would be listed there.

Director Cann asked if it was the same area that would address Mrs. Trempel's question about transportation. She was informed that her question would be addressed in the transportation section.

Director Cann expressed a desire to be able to address her question.

Director Dexter asked about the reduction to the SRO's (school resource officers) and if it was reflected in the Career Academy.

Mr. Majewski replied that he believed it was on their list and there were two there and was now one.

Dr. Lewis added that the district was applying for a grant for a second one for Liberty that would be declining support. He noted that \$15,000 was the district's contribution.

President Leeson directed the board to move to the budget cut sheets and suggested that they go column by column to see if they all agreed with the cuts. She asked if there was anything that anyone wanted to discuss regarding the two percent cuts on page 1. She inquired if everyone agreed with the cuts.

President Leeson moved to the list of four percent cuts. She noted that the public relations position was going to be on hold at present. She asked if there were questions on the other items.

Director Follweiler inquired about the four percent area, which was their first gray area. She asked for further explanation from Mr. Majewski or Dr. Lewis.

Dr. Lewis indicated that the item is one of Mr. Gross' recommendations. He explained that it is their attempt was to reduce reimbursement that is either late in request or was not appropriate in terms of the filing.

Mr. Gross recalled that from prior meetings they had mentioned that the district has been pretty liberal with granting pre-approval status to graduate course work that has already commenced or even completed but that the individual has simply forgotten to fill out the pre-approval form. He noted that occasionally it was denied based upon the type of course, if it is not from a degree-granting institution or otherwise does not fall within the purview of the contract. But typically if it does, even though it is late, it had been awarded. He furthered noted that the contract language is pretty clear that it is at the discretion of the administration when to approve the pre-approval for the course work. If the district tightens it, they would probably save some money.

Dr. Lewis noted that the other area discussed was that the number of new hires was down and that the district was considering a lot of internal moves. He also noted that when there is a large field of new, young hires there was a greater use of that particular contract provision. The anticipation was that it would not be not as heavily used by the seasoned teachers.

Director Follweiler clarified that her question was not necessarily regarding the particular line item but the theory of the gray on how comfortable they are or how confident. She said she would leave it in as a cut but as they go through each month, there is a significant amount of dollars in gray and that the board needs to be aware of the amount of cuts. It was noted that the current amount was \$423,000.

Director McKeon asked if the reeducation process had begun to inform the staff that the tuition reimbursement program procedures are going to be more strictly adhered to.

Mr. Gross indicated that it had begun and that almost from the time he became a part of the district, he and Mr. Zieger had discussed this issue. He noted that his predecessor had been pretty liberal and they stayed that course, however, Mr. Zieger was not in disagreement that the contract said that to take a course it must be pre-approved, meaning prior to the start of the course, as a part of the tuition loan program.

President Leeson thought that once people caught on to the fact that the pre-approval procedures would be followed and the savings would not realistically be there. She wondered how solid those savings were. She asked if it realistic to anticipate \$63,000 savings or was it just at the start from last year.

Mr. Gross indicated that the number is just a percentage of savings from previous figures and was not an exact number by any means. He also noted that to identify soft areas would be difficult as with substitutes because they just can't predict catastrophic illnesses or the number of people that would get sick and the usage of days.

Dr. Lewis noted that there was a slight downward trend which is what they were aiming at in terms of unreasonableness and what was the faculty average.

Mr. Gross noted that he was looking at a hiring class of the past two years of about 90 contracts. This year he was looking at half of that or less in terms of new hires, which were more apt to use that because they had to get their credits done within a window of time. He still thought there would be substantial use because they did have a good population of teachers in their 1st through 4th year of teaching. He did not think that they would have the slam that they had over the last couple of years. He wished he could be more definitive, but it was soft numbers.

President Leeson asked if he had already taken that out of the \$486,650. Did it reflect a \$63,350 reduction?

Mr. Majewski noted that if it was in red it was out.

There was clarification on the format of the report and it was determined that the item was in red numbers but shaded in gray because it was an estimate.

Director Tenaglia asked Mr. Gross how much of the \$63,000 was attributable to tightening of the rules as opposed to the other broad category, which was reduction in new hires less likely to seek tuition reimbursement.

Mr. Gross answered that the number of new hires and the usage of it weighed heavier than the tightening of the rules part, because as Director Leeson pointed out over the last year or so, the teachers had been more timely with their submittals.

Director McKeon asked if the district would be better off if they reduced the number budgetarily; reduce the cut to be more realistic. He offered an example to cut it to 30 and they got 45 as opposed to leaving it at 63 and then at this time next year they were at 45.

President Leeson reminded him that they still needed to find \$1.2 million in cuts.

Director McKeon replied that he was aware of that.

Director Follweiler asked if the board was comfortable with \$63,000 and was it a realistic number, which was attainable.

Mr. Gross responded that historically since the 2004-2005 school year, the tuition reimbursement budget had been slightly overspent. Since 2004-2005, the district had needed more than they budgeted. However, he noted that also historically over the past 3 years, the hiring contracts had been very high with 90 – 100 hires, and this year they were not close to that. He also couldn't say that the second, third and fourth year people would not be using it. He explained that they could also have the panic years when teachers hit year five and six and realize that they had not taken any graduate credits and they needed to take 24 and all of a sudden they are slamming the door. The other piece was by contract, they only awarded up to 12 credits a year. He noted they are very firm on that. He said that he thought the \$63,000 was a pretty modest reduction, which again was banking upon their hiring class.

Director Leeson moved to the 6 percent reduction areas. She addressed the reduction budgeted substitute teacher allocation of \$200,000.

Dr. Lewis noted that it is also gray and an area of new territory.

Mr. Gross again noted that it was a roll of the die. They had cut it very close in terms of what they budgeted and what their actuals were. He noted that in 2005-2006 they were about \$9,000 over and in 2006-2007.

Mr. Gross indicated that they didn't know what the future usage of sick leave allotment for their professional and support staff would be and that was why he went back and grayed it out. He stated that he was not totally comfortable with it but at the same token, they had to find money.

Dr. Lewis brought attention to an area they could control and pointed out that the administrators and curriculum department had been advised that they were not pulling teachers out for daytime workshops. He said they needed to be with the students in the classrooms. They had some contractual TDAs (Temporary Duty Assignment) that must be honored. They were entitled to a TDA cross-observe, but they were not entitled to a TDA for other reasons and they were not going to approve them. Dr. Lewis noted that they could not predict the area concerning people getting sick or if they took close to their maximum allotment of days out for whatever reason and using all their personal and emergency days. Substitutes were necessitated in those areas and they had become a little tighter on that. Dr. Lewis pointed out that emergency days were spelled out on the back of the yellow sheet and he has gone by the letter of the law in trying to tighten it up as much as possible. Dr. Lewis stated that it came down to whether it was an immediate or extended family member, a gradation or if the teacher was getting married as opposed to their cousin getting married. He noted that in the past number of years there had been some leniency granted, but those who had approved those had been advised to go by the book.

Director McKeon asked if the district had ever attempted to summarize their substitution costs related to field trips because he saw line items related to substitute costs in the board packages. He indicated that there was a domino effect if they were to revisit the field trip policies and potentially curtail them. He noted that it included transportation costs, fuel, and substitution costs.

Dr. Lewis noted that Director McKeon's point was well taken and it had been discussed in cabinet because it was presently field trip season. He indicated that last Friday 137 teachers were out and they took a look at why they were out. It was determined that much of it was driven by field trips. He noted that it was not only examined but they had to move toward restricting those things.

Mr. Gross indicated that he looked at the professional staff absences every day to see where the trending was. For example, if one particular building had a large amount of a department or the entire building out at a staff training, he would call the principal and inquire why so many of the teachers were out on a conference day. He indicated that there might be a special initiative or something like that, but that it was reviewed.

President Leeson stated that she thought he was saying that they didn't just need to review it but consider looking at it as a cut.

Director McKeon stated that he believed that as a board they needed to review the policy and maybe make a recommendation based on the current standard versus a future standard.

President Leeson summarized that the board would like further information on the field trip policy including associated substitute and transportation costs. She noted the substitute teacher allocation, which was \$300,000 between the 6% and 8% line, and it was in red. It was already taken out of the budget, but it was something that they were not real comfortable with it and were not sure they were realistic figures.

Mr. Gross confirmed that she was correct and that was why it was in gray.

Director Leeson asked what was realistic.

Mr. Majewski indicated that he would like to take a look at, along with everyone, where they currently were this year. He anticipated that in the projections there might be signs of declining in its utilization. He indicated that if that was true then there might be some other considerations. He noted in the teacher contract when someone was getting close to retirement there was a lot of illness and use of sick leave time. Now with the incentive of the sick leave days, which could be turned into health benefits, there was less of a likelihood that a person would take off as much in their senior years of teaching. They were reducing the costs of substitutes as a result of some of the changes made in their contract. He thought he was starting to see some of it take effect. He would like the opportunity for all of them to go back and revisit that number to see what was reasonable.

President Leeson agreed and moved on to the 6 percent line. She noted the board food at committee meetings of \$2,600 in blue which indicated it was an area where a reduction could be taken, but they had not taken it yet. She asked how the board felt about that particular item.

The board members agreed with taking that reduction.

President Leeson went on to the building staff item and noted that all four hall monitors were in black and asked where those hall monitors would come from.

Mr. Gross indicated that item was not a recommended cut at this point so they have not allocated from where they would be pulled.

President Leeson asked for an identification of where the four hall monitors would be considered being pulled from for the next meeting.

Director Follweiler asked for a clarification on that item as well as the others listed in black. The item was not recommended but it was listed as opposed to other potential items so it was something that must have come up in conversation.

Mr. Gross clarified for the item in question that there was a discussion that if the Freshman Campus was to be closed and the 9th grade would be moved to main campus, what implication would that have on hall monitors. That combined with the nature of not touching instructional programs as much as possible but looking elsewhere combined to maybe include this item on the chart. But they have not done a hard identification of where those cuts would be. A consideration could be in an area where they added two hall monitors at Freedom last year, but there was a square footage increase at that building. They had not looked at it in a hard way.

Dr. Lewis added that the other impact on this issue is that there had been some openings in the hall monitor positions, meaning that the positions had been there and were not filled. People had been out or on medical leave and the building seemed to be operating fine and thought it could be an area which could be reexamined.

President Leeson asked for additional information on the subject.

Director Follweiler commented about throwing caution to the wind when looking at it and asked them to remember that they had many safety and security issues and the hall monitors were integral to that and to take it into consideration when making the recommendation.

Director Dexter noted that she totaled up all the cuts listed in black and they total close to \$1.7 million and the administration is advising that the board cut \$1.2 million more. She added that the number included \$400,000 for Reading Recovery®, which they were not looking at cutting and the \$60,000 occupational therapy fee. She further noted that if all the other items listed in black were cut, with the exception of those two items, then the board was there.

Dr. Lewis indicated that they would not be comfortable with that. He noted that they went through the exercise in good faith because the board asked them to do 2, 4, 6, 8, and 10. Some divisions they were not able to reach without doing some serious harm. He noted that it is not an equal distribution of pain and if the board was determined on removing another \$1.2 million, he would like another shot at looking at it. Some items were on the list because they had to do the exercise. He is not interested in removing a cabinet member. He believed that there is a contractual issue with department chair time and he could not guarantee that. He did not think the board wanted to cut the Welcome Classrooms.

Director Dexter indicated that they don't want to cut any of the items but they had to in order to get to the numbers.

Dr. Lewis asked if the \$1.2 million was necessary.

President Leeson stated that they do need to look at additional cuts and if the administration wanted to bring back other recommendations, she was fine with it. They also needed to determine if there was a need to cut \$1.2 million out of the budget in addition to the cuts that had been recommended. She believed that she understood that although she did not want to, they had to if they were to have a fiscally responsible, balanced budget. She asked the board for their opinions.

Director Tenaglia referred to Mr. Majewski's comments at the beginning of the meeting about having a realistic starting point for the new year and he thought that that was a number that got them there.

Director Dexter stated that she thought they had to make the cuts that would get them to the balanced budget that they must have and it did not help them to put unrealistic numbers on a piece of paper.

Director McKeon believed that they had to be even more fiscally conservative. He noted Mr. Majewski's reservations about the success of the collection rate and the impact on the overall receipts, which drove the expenses. He thought the board needed to err on the side of extreme caution.

Director Cann stated that they should at least try as long as they didn't end up really hurting.

Director Follweiler indicated that her original feeling was to see how they could get \$10 million out because she did not want any tax increase. She agreed with Dr. Lewis in that the administration had to carefully look at the black and discuss it further. She recognized that while they didn't want to hurt any educational programs for the students, they were in a very financial crunch, so they had to be extremely fiscally responsible. She thought that the responsible thing to do was for Dr. Lewis, the administration, and the board to look at it further.

Director Leeson stated that she researched minutes from last year's budget hearings, in an effort to clarify a prior issue regarding the previous budget, and that the board members may have contributed to the reduction of the fund balance. She found that they discussed the budget reserves. In talking about the budget reserve last year, she thought that even in taking the money out of the capital reserve, they were still going to have around \$3 million left in the capital reserve and they would have had about \$2.5 million left in the fund balance. She believed that the board passed a very fiscally responsible budget last year and they discussed the fund balance at that time.

She believed that Mr. Majewski stated that in different economic times he might have felt that they were getting a little light on the fund balance but that he felt comfortable at that time passing the budget with that fund balance. She indicated that overspending the previous year's budget by \$5.8 million or so drove problems that they were currently having.

Mr. Majewski indicated that it was a combination of things and not just one year. He further classified the issue as expenditures in excess of revenue by that amount of money.

Dr. Lewis pointed out that he wouldn't categorize it all as overspending.

President Leeson asked if they could refer to it as a budget over run of \$5.8 million dollars.

Mr. Majewski replied that a budget over run by itself would not have caused a problem, but it was the expenditures, which were in excess of revenues by that amount of money.

President Leeson stated that the board did pass a fiscally responsible budget last year with the information they had available at that time. She indicated that she spoke with Dr. Lewis and noted that by his contract they were obligated to pay him a 3 percent increase. She said it was contractual but thought it was really his decision. She asked Dr. Lewis would be willing to show leadership and forego his 3 percent increase.

Dr. Lewis indicated that he did consult with his counsel and his answer is no. He does not want to set a bar. He would not ask his cabinet members. He thought in light of the fact that this administration had dealt with some very, very difficult issues over the last two years with consideration of the Nitschmann issue, special education mandates, what he considers drastically inequitable corrective action, ACT 1, ACT 71, ACT 72, restrictions on the way they could categorically use their money and unfunded mandates. He believed that the district had a very effective administration, including himself in that group, and thought modest increases that would be below the cost of living were reasonable.

President Leeson stated that it was his choice and just wanted to ask him the question.

Mr. Gross asked if they were to go back and look at the black areas were they to assume that they were still under the guise of attrition rather than cuts or rips in personnel.

Director Follweiler said that it was her opinion that she wanted to understand what he would recommend. If he recommended that additional costs could be saved through attrition, then that was great or if there had to be a reduction in forces not through attrition, then that was a decision that they had to hear.

Director Follweiler wanted him to make an honest assessment.

Mr. Gross stated that it is difficult to predict any further attrition at this time because he simply did not know. He indicated that the teachers had up until the last day before classes start to resign so it was difficult to determine at this time of the year whether or not there would be an attritional savings or a cut as a recommendation.

Director Leeson called for a 10-minute recess at 8:30 p.m.

The meeting reconvened at 8:42 p.m.

Dr. Lewis stated that he believed they could hit a more precise adjustment than an amount of \$1.2 million. He indicated that he and Mr. Majewski had talked about \$900,000 based on some discrepancies. He asked if they could agree on a firmer target before they settled on an unnecessary number.

Mr. Majewski stated that the real estate tax collection budget was probably a bit high based upon current collection rates and might need to be reduced by \$500,000 or \$600,000. The big question mark he had was what they were going to be able to do with the Governor's budget. He knew that there was \$976,000 being identified as the ACT funds. He knew that 10 percent of that could be used for existing programs; easily enough to qualify. Until the grant application came out and they started looking at what could be applied against it, he didn't know how much of the \$976,000 they could justify and keep in the budget and how much they wouldn't be able to accept. He stated that he was not sure he can give a clear figure on that but that \$976,000 was the target and the district needed to begin to justify keeping that money.

Dr. Lewis asked if \$1 million was a more reasonable target.

Mr. Majewski responded that he believed that \$1 million at present was probably a reasonable target.

Dr. Lewis asked Director Leeson if she would consider that as their target.

President Leeson asked the board by raise of hands to indicate who was comfortable with a target of \$1 million. The board members unanimously agreed to the \$1 million target. She also wanted a consensus on the retaining of Reading Recovery® Program.

Director Dexter stated that the \$396,000 was in black and she didn't see that noted as coming out.

Dr. Lewis indicated that they would target non-instructional areas for cuts as much as possible.

Dr. Lewis asked the board if it would be acceptable for him to prioritize the updated list so that in the event that additional funds were realized from the governor's budget, some of the items might be reinstated in terms of 10 percent increments.

Director Dexter said the governor's budget was the funding that they would be able to count on as opposed to the revenue from tax collections.

Dr. Lewis explained there might be some other crystallization of revenues. He asked if he could prioritize a list.

President Leeson stated that the board would most likely welcome a prioritized list and indicated that the format could be done at Dr. Lewis' discretion, but they must get to the \$1 million cut.

President Leeson stated that since administration really needed to go back and several questions needed to be answered with a need to find several million dollars in cuts, it didn't seem like it would be particularly productive to continue much longer with the budget hearing. She asked if the board had anything else that they wanted to discuss or communicate regarding the already proposed cuts.

Director McKeon stated that his only objection was with the \$60,000 from special education work opportunities.

Dr. Lewis asked Mr. Agretto if they were looking at some alternate funding.

Mr. Agretto stated that he and Dr. Lewis discussed it but he didn't know where the funding would come from at the moment.

Dr. Lewis added that they had four areas identified, but he didn't have his notes with him.

Director McKeon said that it was his personal opinion that it would be a tremendous benefit for those particular children.

Mr. Agretto stated that they should look at the history to see if they could come up with a reduction.

Mr. Majewski added that historically it had been approximately \$60,000 and they would have to cut back services to reduce that number.

Director Follweiler asked if the amount was for the full summer program.

Mr. Agretto responded that it was not the summer program. He noted that the summer program is the PIC program, which was a federally funded program which was also in jeopardy. He noted that they were not receiving a strong indication that the PIC program would be funded this summer. That program was a \$60,000 program for their life skills students to participate in the extended school year.

Director Follweiler said that she had many concerns about the elimination of the program when it came up during a prior budget workshop as well as with Director McKeon today. She explained that she met a student that had been participating in the life skills program and she had been moved by her experiences. She believed that all of it was part of her education and when she graduated she would already know what type of employment she could pursue because of her job and training experiences. She stated that she would hesitate to make that cut as well.

Director Leeson suggested that they look at the cut to see if there was something that could be done.

Dr. Lewis recapitulated his understanding of what needed to be accomplished:

- Prepare an analysis of the Levy bus contract in question.
- Look at the interscholastic athletic budget including the coaching staff numbers.
- Look for more information on the hall monitor adjustments.
- Provide additional information on substitute utilization, particularly the field trips including a transportation perspective as well.
- Prioritize the additional \$1 million reduction.
- Examine the \$60,000 special education training dollar amount.

Director Cann inquired if the \$1 million was in addition to the red highlighted items.

It was clarified that the \$1 million was in addition to the red items.

Mr. Majewski directed the board to the last page where it said "Total Reductions Needed." He said that number was going from 5.56 million to 6.56 million.

Discussion took place to determine if another budget meeting was necessary and when it could take place.

Dr. Lewis stated that the meeting could be incorporated into the Finance Meeting.

Mr. Majewski commented that there would be a full schedule that evening with both facilities and finance meetings. They would have to reschedule some presentations to make room to discuss the budget.

Director Tenaglia suggested that anything that did not require a decision prior to the end of the fiscal year in facilities or finance be postponed in order to accommodate as much of the budget matters as possible at the next finance meeting.

Mr. Majewski stated that next month he thought they would be focusing on matters which would need to have board decisions in the month of May.

Dr. Lewis stated that they would also look at the facilities agenda to see if there would be any way to truncate it.

Director Leeson stated she was concerned about cutting the committee meetings especially in May when there were many approvals needed. She did not have a problem with supplanting the meeting with a budget hearing on the 5th, but she was not sure that they didn't somehow need to accommodate their facilities and finance meetings. She also asked if there was a date when the district had to have the proposed budget completed.

Mr. Majewski responded that they needed to have tentative adoption of the budget by May 19th. He noted it was not final and could change.

Director McKeon stated that it was the regular scheduled board meeting.

Mr. Majewski stated that since they already knew the limit of the tax increase, and unless they were directed otherwise, the dollar amount was going to be backed into whatever amount was going to be reflected. He stated that they could meet the tentative adoption deadline on May 19th.

Dr. Lewis added that the interior could still be altered after that time.

There was discussion about the schedule for the May 5th meeting. It was decided that the facilities portion would be from 6 p.m. – 6:30 p.m., the finance portion would be from 7 p.m. – 7:30 p.m., with an attempt to restrict the committee meetings to a half hour and then schedule a budget hearing at 7:15 p.m.

Director Leeson called for Courtesy of the Floor. No one wished to address the Board of School Directors.

COURTESY OF
THE FLOOR

The meeting was adjourned at 8:57 p.m.

Attest,

Stanley J. Majewski, Jr.
Board Secretary
:dls