BETHLEHEM AREA SCHOOL DISTRICT
BOARD OF SCHOOL DIRECTORS
BUDGET HEARING #1

JANUARY 12, 2009

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The first 2009-2010 Budget Hearing of the Board of School Directors of the Bethlehem Area School District was held on Monday, January 12, 2009, beginning at 9:30 p.m. in the Dining Room of the Education Center, 1516 Sycamore Street, Bethlehem, Pennsylvania.

President Leeson presided.

MEMBERS PRESENT

Members present: Members present: Directors Cann, Dexter, Follweiler, Haytmanek, Koch, McKeon, Tenaglia, and Leeson – 8

OTHERS PRESENT

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

PRESIDENT LEESON – INTRODUCTION

President Leeson stated that the board was presented with a budget that basically said they would need about a 15 percent increase, but they knew it was not realistic. She stated that she heard from some board members that they would like to see the realistic budget of exactly what administration proposed with cuts.

DR. LEWIS – REVIEW OF PROPOSED BUDGET

Dr. Lewis replied that he thought they were giving them a proposed budget that was very real and there was nothing artificial about it. In light of the confluence of a lack of revenue, they could point fingers in a variety of directions, from the economy to the decline in housing sales, but simply put, their revenue was seriously truncated and their expenditures continued to increase. He explained that they put together a budget based on the cuts, which they would review this evening, that still had issues within it. Dr. Lewis said they would also distribute copies of his January 8 memorandum for the public and press, which was included in the board packet.

President Leeson commented that the proposed budget had a 6.09 mill increase or a 15.39 percent increase and the next line basically said that they knew it was not realistic.

Dr. Lewis responded that he did not use the words, “not realistic,” and noted that he said that it could be reduced in three ways. He requested to be allowed to make the presentation.

President Leeson requested that he present exactly where the increases were coming from the expenditures and where the decreases were coming from in the revenue. She was aware of some of the highlighted portions, but hoped there was not an assumption that they knew where they were located.

Dr. Lewis replied that her request was fair and they were prepared to give them the specifics as they went through it. He referred to the letter of transmittal, which for most members of the public, with the exception of the press, was their first time viewing it. He noted that in order to balance the budget, with the expenditures as detailed within the packet, and the revenues anticipated and determined by the assistant superintendent for finance, it would require a 6.09 mill increase. Dr. Lewis said that they were not suggesting that it be their final target, but they were suggesting that it could be reduced or impacted in numerous ways. He referred to the "yellow page" and explained that it could contribute to a .89 mill decrease, if it was board supported. He pointed out that every one of the items would require board action and added that it was not like the presentation of budget adjustments where they had operational costs and had the latitude to pull the belt tighter to reduce their expenditures during the current budget year. He said the items required board action. Dr. Lewis said that the board directed them to examine, from their perspective, every possible non-mandated item and he agreed with the approach. He said there were some smaller items excluded, such as giving pencils to the students, but those items were not addressed because it had a minimalist impact and did not warrant discussion. He explained that SPARK, RASA and Career Academy were non-mandated programs but it did not mean that administration was suggesting their closure. He explained that he reviewed that the board permitted transportation privatization be placed on the agenda to vote for or against an RFP (request for proposal) development and it was one that administration was supporting in principle. He added that in answer to Director Dexter's question, the word privatization might change and be transportation savings by virtue of a renegotiated contract with drivers, but nonetheless, they anticipated in the current budget and in the solution of .89 mills, would be the one they supported. Dr. Lewis said they would not support suspending non-mandated transportation, but emphasized that it was non-mandated, noting that only mandated transportation was for special education. If they went to privatization, a fleet insurance adjustment would occur.

Dr. Lewis addressed the Apple® computer leases, stating they were recommending restructuring, as the result of the work that he, Mr. Arbushites, and Mr. Majewski did with people from Apple® Finance. He explained that they believed they could renegotiate the annual cost to be reduced by $180,000.

Mr. Majewski stated that the contract was approximately $1,050,000 and was scheduled for $969,000.

Dr. Lewis said they were spending approximately $1,000,000 in a stratified lease. In reducing the lease, they were not sacrificing equipment, but they would commit to a rollover, which would allow them to bring in $1,500,000 in new equipment over the four-year period, and the annualized amount would remain reduced. He said for the second year it would be approximately $800,000, the third year; $800,000 and the fourth year; $800,000.

He explained that they would keep the technology in place and lower the annual cost. He said that one could say to pay the $180,000 this year and not have any technology next year, but he strongly urged against it, because he thought the students who suffered the most were those without technology. Dr. Lewis noted that it would permit them to keep their technology efforts in place and reduce their annualized cost.

Dr. Lewis stated that they did not recommend “pay to participate,” however, they were asked to examine it. He said that Dr. Donaher put together a proposal with the estimated savings if they chose to make the decision to go deeper into the cut list.

Dr. Lewis addressed attendance services, monitors and officers and pointed out the attached rationale. He explained that it would shift citation issuance for truant students back to assistant principals. He said they did not feel it was practical and reflected on when he was an assistant principal. He commented on the urgencies of today in terms of accountability and instructional leadership.

Dr. Lewis said they were not recommending a reduction in interventions, but they could do so according to the grant structure because they had matching criteria. They could lower their local contribution by $20,000 and maintain the grant requirements.

The termination of the computer loan program was a consideration. Dr. Lewis stated that they had a non-binding agreement with employees in terms of a loan that was paid off through a payroll deduction plan. It essentially tied up approximately $25,000 annually. He reflected that at the time when no one had technology, it was probably a prudent direction, but it was something they believed should be discontinued and there would not be the exposure of $25,000.

Dr. Lewis said that administration was recommending that the Rifle Team not be eliminated but could go to a club level status. There was discussion about the possibility of adding lacrosse as a club level sport. He pointed out that the Rifle Team was a non-PIAA sanctioned sport and could function within the same context, which would probably have a core of support in the public to allow it to be maintained. He said that it would be a direct offset.

Administration did not advocate the discontinuation of Community Service, explaining that it was an incredibly important program, however, it was nonmandated.

Dr. Lewis addressed the Welcome Classrooms, a nonmandated program, but it was thought to be a critical error in reduction. He stated that they had already reduced the number of sections because they were able to do some consolidation and the program was still functioning well.

Dr. Lewis respectfully acknowledged Director Koch's opinion about traditions and practices, but they were recommending the sale of the property located at intersection of Farmersville and Freemansburg. He said the listed figure was very conservative for the approximate 15-acre site. Dr. Lewis added that Director Follweiler contacted him today, questioning if it had greater value and he concurred, but was not sure of the price because of the turbulence in the whole corridor in terms of land sales. He thought they needed to deal with the urgency of the next two years. He brought attention to the consideration of the sale of the Monocacy Building and stated that if they chose to relocate Career Academy next year, the estimated amount generated by the sale was listed, however, the sale became moot this evening.

The Intermediate Unit 20 – Driver Education Program had fewer subscribers. Dr. Lewis said that he had asked Mrs. Katona to ask the principals to provide them with some hard data regarding the program. The typical expenditure was approximately $87,000 but the offset was that they would need to pay one more additional year of auto leases. He concluded that it would become an annualized theoretical savings of $87,000 in the following year.

The reduction of one full-time general duty aide per elementary school would result in eight FTEs (full-time equivalent) for a total of $130,000. The aides generally ran some cafeteria duties. The existing staff and principals would have to do more oversight of the cafeterias, but there would still be a core of general duty aides in the field.

As they were not recommending the closing of SPARK, the officers had asked Dr. Lewis about the possibility of speaking with other governmental entities. He noted that he had a meeting on Thursday with Mr. Majewski and the executive director of Head Start. He said that they would have a conversation about all options regarding a partnership or some viability of some additional governmental funds coming into play. He thought it could be a "win-win" situation if they could arrest the $1.1 million spent and still keep the program with some shared leadership. Dr. Lewis added that it was a long-shot with hearing a lot coming out of Washington about the fact that they were anticipating a very positive Congress and President with regard to early childhood education, but he would not predict what would happen.

Dr. Lewis concluded that their highlighted recommendations came to a total of $2.3 million or .89 mills as reflected in Item 1. He pointed out that the exceptions did not open up on the Pennsylvania Department of Education website until February and spoke with Dr. Zahorchak about earlier access from a calculation point of view, so they could gain an understanding of whether or not they qualified. He noted that Mr. Majewski had done an excellent job of looking at the criteria outlined in Act 1 and in determining that their special education costs had accelerated, subsequent that they could qualify for an exception.

Dr. Lewis explained that the impact was equivocated to mills with .46 for special education. The gap regarding debt service might be impacted if they continued to get it down, they could not anticipate applying for the exception, but also commented that it was good news in a way as to not raise taxes concurrent to that amount. It was a 1.7 mill exception. He explained that Maintenance of Selected Revenue Sources meant that they were not able to maintain their revenue, estimated at $1,886,948 million or .7 mills. Dr. Lewis stated that administration recommended that the board strongly considered applying for the exceptions, which allowed them to add the millage to the 2-mill increase they were permitted to tax by the Act 1 index. He further explained that it would mean a tax increase, but prefaced it by stating that since 2002, they had brought forth budgets with 2, 2.5, and 3 percent proposed increases, for a variety of reasons. He noted that not all board members were serving on the board during that period of time. He added that the board members had asked them to go back to make cuts and also go to fund balance. They also asked them to stay at one mill or less for the last six budgets. Dr. Lewis stated that, in essence, they undertaxed. He added that it was not that they were not fair to taxpayers and used the example that if one owned a home in Bethlehem and picked it up and dropped it in any of the other seven other school districts in Northampton County, they would pay significantly more tax. He said that Mr. Majewski's analysis was that they paid 15 percent less than the mean of the tax impact in the county. He suggested totaling the millage and adding it to the 2-mills, which arrived at 4.87 mills. Dr. Lewis said they had to make some basic assumptions as it was constructed, commenting that they were hearing multiple stories on property tax relief from the gaming monies and that it could go up 30, 50, or 25 percent and that it would be more than the $181 that each homestead realized last year. If they would accept the administration's recommendations, permit them to apply for the exceptions, they were willing to tax at the stated rate, and received some relief in the form of gaming funds; they would see the typical $60,000 home have an increase of $317 in taxes, offset by the gaming reduction of $235 to $271 or a net increase of $82 to $46. He cautioned that it would still require them to go to referendum and further explained that since the index was 5.1, which allowed for the 2.01, combined with the exceptions of 2.86, equaled the 4.87. It would still need to be reduced by 1.22 mills, which was approximately $3,000,000.

President Leeson reviewed that she would have liked it all to be in one budget with the recommended cuts. She commented that the recommended cuts they were at 5.20 mills. She asked if the increase would be approximately 11 or 12 percent for taxpayers if they considered all of the recommended cuts. She noted that they also said they needed to cut down to 4.87 mills, so there was a gap of about $1,000,000 between the recommended cuts and what they recommended be done.

Dr. Lewis requested that Mr. Majewski check the math.

Mr. Majewski started with the .89 figure and said they were presently increased to 13.14 percent.

President Leeson reaffirmed that if they took all of the recommended cuts and the current budget.

Mr. Majewski replied that it was what he was doing with the .89.

President Leeson reviewed that they would like them to get down to 4.87 mills, which was a reduction of about another million dollars and noted they had no recommendations for that amount.

Mr. Majewski said that it would be $876,000 in addition to the $2,300,000 in order to get down to 4.86 mills.

President Leeson asked what the percentage increase would be for 4.86 mills.

Mr. Majewski replied that it was 12.3 percent.

President Leeson reviewed that they were recommending a 12.3 percent increase with the proposed cuts and another $876,000 in cuts.

Dr. Lewis replied that it was not that simple.

Director McKeon commented that his property tax for the school district would increase $800 with the proposed millage increase. He noted that they were looking at a 26 percent increase in Bethlehem Township. He explained that it was over $75 dollars a month for him and asked how they could ask the elderly to pay for it.

Dr. Lewis asked to first clarify President Leeson's question. He explained that the 4.87 mills would be permitted without obtaining a referendum.

Mr. Majewski said that he would use the 6.09 mills because the 4.87 is $292.20 as opposed to $317.

Dr. Lewis commented that the 4.87 represented a percentage increase, which was the other question of 12.3 percentage increase.

President Leeson stated that what was cut so far, which brought them to the 5.2 mills, was 13 percent. The recommendations from the administration would bring them to an increase of 13 percent. She said that she believed they proposed they tax with all of the exemptions, which would be 4.87 or 12.3 percent increase, but they needed to find $876,000 more in cuts.

Director Tenaglia asked when would they pick up the 4.9 mill in reserve fund balance from the current year.

President Leeson replied that it was another question all together.

Mr. Majewski added that he knew that usually with most organizations it was very difficult to be able to pick up that money during down economic times. He thought that their goal was to try to shore up and make sure they had a strong balance sheet and strong foundation, so that when things improved, they had the ability to quickly recover.

Dr. Lewis stated to Director Tenaglia that the other possibility, which they talked about, was to look at some possible one-time money as being permitted to offset it, such as the sale of the bus inventory.

Director Tenaglia said that they already had it in the budget.

Dr. Lewis pointed out that the inventory was not included. It was strictly the annualized operational cost.

Director Cann clarified that it was more than $876,000 because they took out $15,000.

President Leeson explained that it was just from the proposal.

President Leeson stated that she wanted to see the administration's recommendation and the whole thing put together. She commented on the 12.3 percent in taxes and suggested getting the parameters from the board as to whether they would go with an increase of 12.3 percent. She also wanted to see their recommendation for the $876,000 more in cuts before they started the process, one by one.

Mr. Majewski asked to divert the discussion and stated that he needed to state the timeline under Act 1 so they could have a frame as to when they needed to start doing things and how it needed to get done. He explained that there were very specific timelines, which they had for approval and what they were presently doing was not something that was required under Act 1. They were a bit ahead of the game, but Mr. Majewski felt that it would be needed time. They needed to make the proposed preliminary budget available to the public by January 29. He pointed out that they needed to adopt a proposed preliminary budget no later than February 18. At some point they needed to pick the date that the proposed budget would be adopted and they needed to do it at least 10 days prior to February 18 because he needed to put the notice of the intent in the newspapers as to notify the public. Mr. Majewski said that once it happened and the adoption took place, he needed to submit the proposed tax increase to the Department of Education within five days. He stated that February 26 was the deadline for them to advertise their intent to file for referendum exception. March 5 was the deadline to seek approval from the Department of Education for referendum exceptions.

Mr. Majewski thought it was interesting that the preliminary adopted budget was approved, according to Act 1, prior to the referendum exceptions ever being known or whether they knew if the Pennsylvania Department of Education would approve them. He added that if they were going to referendum by March 30, it needed to be written and would go to the county. It was not included because it was not one of the deadlines of focus, but he wanted to mention it as part of the discussion. He stated that on April 15, the secretary of budget certified the amount of revenue in the property tax relief fund. He noted that by certifying the amount of revenue did not necessarily mean they would receive a certain amount, but it certified how much money was in the fund. He added that by April 20, the secretary of the budget would notify the Pennsylvania Department of Education, whether it was authorized to revise school districts with property tax reduction allocations. It was important because by law, there needed to be a certain amount of money in the fund before they could release any money. If property tax reduction funds were available, the Pennsylvania Department of Education would notify the school district of the amount of allocation by May 1. At the same time, they would also receive certifications from the counties as to the homestead/farmstead approvals and it would be used to calculate the amount per homestead or farmstead. Mr. Majewski stated that on May 31, by resolution, a district might reject the property tax reduction allocation. It does not have to be taken and can be formally rejected by a certain date. Also, by May 31, the 2009-2010 proposed final budget must be adopted and the certification mailed. He explained the reasoning as to why it had to be done by May 31, which was to allow for the advertising. On June 10 it needed to be available for inspection and by June 20, public notice of the final adoption was needed. He concluded that June 30 was the last date for final adoption of the budget. Mr. Majewski pointed out that with the final adoption date, they needed to move back the 10 days because they always had the notice and the inspections so all of the dates rolled, based upon the date for final adoption, just as they did with the preliminary adoption. He reviewed some of the requirements under Act 1 and said they had the requirement to preliminarily adopt a proposed budget by February 18 with the need to have notice in the newspaper, 10 days prior to when they determined action would be taken.

President Leeson asked if she was correct that it was a timeline based upon the recommendation of the administration, in that they used the referendum exceptions.

Mr. Majewski replied that it was a timeline under the Act 1 law, so they needed to follow it in order to comply.

Director McKeon inquired if they would be using the current budget unless they had additional meetings between now and February 8.

President Leeson noted that they would then have to go to referendum because they presently did not have enough cuts to make the budget.

Director McKeon stated that he did not personally have any objections. He added to put it out to the people because they were asking for a voice. He asked Mr. Majewski if certain components of the budget went to referendum.

Mr. Majewski replied that the district would request voter affirmation of the tax increase. He added that they would work with the solicitor to craft it because there was a limit on the amount of words contained in the referendum. It also might indicate what would be cut if there was a vote against the budget.

Director McKeon asked if it was voted down, would they go back to the drawing board.

Mr. Majewski responded that if it were voted down, the maximum increase they would be able to have would be the index plus any referendum exceptions.

Director McKeon asked if there would be three exceptions.

Mr. Majewski replied that based upon the ones he was viewing; he could not see that there would be more.

Director McKeon reviewed that the raw data at present would be going with the February 8 and 18 notifications.

Dr. Lewis commented that if they came upon an adjustment in debt service and made changes, they did not need the board to affirm it until February 18.

Director McKeon stated that if nothing changed, it was what would be part of the notification.

Dr. Lewis said that it was typical of how Act 1 worked. He added that they needed to preliminarily release something, but it could be changed up until the vote. He further explained that they would vote on a proposed budget zoned in on a number.

Director McKeon said the number could change between February 18 and June 30.

President Leeson asked Director McKeon if he was ready to vote on it as the proposed budget.

Director McKeon replied affirmatively.

Director Cann stated that one thing that was important, in her opinion, was to look long-term at developing a budget that would always work every year.

Their revenues would always meet their expenses to the best of their ability and not have a yearly crisis or frenzy of cuts. She noted that it would be hard because of the deficit in the fund balance so they could not really address it now. Even if they had a balance of revenue and expenses in the budget going forward, they would always be in the hole, because they would be trying to catch up. She expressed that she would rather not add to that hole by balancing a budget next year, based on one time money like the sale of land.

Mr. Majewski defined it as recurring revenue as opposed to one-time revenue.

Dr. Lewis commented that for the first time since the mid-90s, the value of the mill was going down. He stated that it was their hope that they were not in a stupor forever so that they saw some shift in revenue, which allowed them to heal the fund balance. He thought the imperative that he and Mr. Majewski discussed was the need to focus on 2009-2010 and 2010-2011. He added that they were not sure if they could do it in two years. They needed to focus on getting their operational costs in line and running the district with the programs intact as much as possible. He was aware of the concern to not have a red number, but there was no way to do it, unless they wanted to place 35 students in a classroom and reduce staff, administrators and transportation. He stated that he did not think they could cut that deep, noting that 5 mills was equal to $12.5 million dollars and that was the kind of hit they were discussing.

Director Koch brought attention to Director Cann's comments, adding that she definitely agree that when they consider the sale of land for one-time money and next year they would still have the huge hole to fill with something. If they took it from the 2009-2010-2011 years, they then ran into the PSERS year, which would be huge increase and they would still have the hole, so they had to try to find another way to do it.

Director McKeon added that this past year the cost was another eight billion dollars in PSERS. He said that the wall didn't move and meanwhile it was getting further apart because of what happened on Wall Street.

Mr. Majewski stated that it was likely that the state would approve something that would change it.

Director Follweiler said that it was her opinion that their discussion showed the chances of not going to referendum were fairly slim. She did not think they could find somebody willing to pay $750,000 for land even if they decided to sell the parcel, so she couldn't see how they could put that amount into the calculation unless they had a buyer ready to sign a piece of paper. In addition to the $800,000 they needed, she thought they had to find $1.6 million dollars because they could not guarantee a sale if they placed the land on the market. She thought they needed to decide by February 18 because the deadline to advertise for the referendum was February 26. She asked if it would be in the February 18 preliminary budget adoption.

Mr. Majewski replied that it was for the referendum exceptions. He commented that they needed to have adoption of the preliminary budget by February 18 and had to give public notice of intent by February 8.

Director Follweiler reviewed that by February 8, they had to determine if they had enough cuts. She recalled that last year they said no to referendum and would work long and hard to find the cuts to not have a tax increase beyond the allowable Act 1.

Mr. Majewski said that they had until February 18. He explained that the public notice was to inform the public that they would be taking action on February 18. They could continue to cut up until the last meeting.

Director Follweiler asked that if they determined they did not have enough cuts to assure the level or below, would they have to state that they were going to referendum.

Mr. Majewski replied that it was pointing them in the direction, but they were not at that point.

Director Follweiler inquired that if they had to go to referendum and later miraculously found cuts and came in below, could they pull the referendum.

Mr. Majewski assumed that they could do so prior to March 30, but considering that it was a fairly new law, there were a number of things not tested. He said that he would have to ask the question at the time to obtain a legal answer.

Director Follweiler stated that whatever program or sport they touched, there would be someone in the community who would have an excellent and valid reason to cancel it. She pointed out that they needed a vast number of cuts and they were locked into a huge part of the budget. She thought they needed to do some out of the box thinking, as brought forth earlier by Director McKeon regarding transportation, inquiring about the distance the students walked to the bus stop.

President Leeson said that she thought they went through the process last year, going line by line, and thought they were really helping administration with the process. She thought that administration needed to do the process and then bring it to the board. She thought that the cuts needed to be made and that it was the job of administration to present a budget that was realistic and balanced. What they presently had might be balanced but was not particularly realistic. She thought administration needed to go back to the drawing board, look at the budget, and come up with the necessary cuts. She asked how they could operate the school district and get in line with what needed to be done.

Dr. Lewis responded that the issue was that President Leeson wanted administration to carve it up and take the hits. There needed to be some fortitude to say they needed to raise taxes.

President Leeson replied that she thought that he should be prepared to support any cut that he brought forth but then the board was going to have to examine those cuts and the board might state that they wanted to trade one cut for another cut. She expressed that there would be some interaction but right now they were working with clay but without a figure.

Dr. Lewis explained that there were two ways to balance the budget. They could balance the budget through increased revenues or through cuts and expenditures. He noted that they had seriously cut the budget throughout the document, and through recommending some adjustments that the board needed to approve. He stated that they also recommended that the board tax more realistically. He said that they wouldn't be having the conversation if they taxed 2 mills over the last six years.

President Leeson noted that it was recommended by the administration.

Dr. Lewis replied, "No – absolutely, unequivocally not." He said to go back and review the budgets, noting that they brought a proposed budget to the table with 2 and 3 mill increases and they could not get adequate votes to pass the budget. He stated that they were told to go back to make more cuts and use the fund balance. He said to place the historical data in the correct sequence. He expressed that they came back, because the only way they could get the five or six votes was to go with the one mill increase. He pointed out that President Leeson voted against every single budget, with the exception of one, in six years and it was a fact and a matter of record. Dr. Lewis explained that the administration did not say they could live with one mill, but came back because at the time the board directed them that they could not support 1.5, 2, or 2.5 mills and told them to get it down. The board then said to use a little more of the fund balance. Dr. Lewis said that he recalled Mr. Majewski advice to be cautious and not go too deep.

President Leeson responded that she had the minutes where the questions were asked and she noted that the budget was one which they overran by $5,800,000. She quoted an excerpt from the minutes: "Were you comfortable with this fund balance?" and Mr. Majewski answered, "Yes, I am, in fact I think we will be able to add to it." She also recalled that as they went through the budget process, the statement was made that they had found a little more money here or there, so some of the reduction did not just come from cuts, but came from adjustments made by the administration, as it should.

Director McKeon stated that the tapping of the fund balance was a recommendation from the administration, which was authorized by the board.

He thought there was equal culpability with the issue. He also said that it was his personal opinion that the school district had tried to spend every dime it could get, plus more, and they had not cut the fat out of the budget. He said that too many people had spoken to him, stating that they were not running as efficiently and as lean as they should.

Dr. Lewis asked Director McKeon to tell them where to make the cuts. He said it was easy to make a generalized statement.

President Leeson called for a moment to recall that they were present for the same purpose and should try to address the issues.

Director McKeon commented that they sent the cheerleaders over to the Stabler Arena on a Sunday afternoon for a non-PIAA, non-District XI, non-conference competition and the Northeast Middle School Band was asked to pay for their transportation to go to Stabler Arena. He thought the cheerleader transportation on a weekend was totally uncalled for and he was told there were other cheerleading competition trips scheduled. He thought it to be absurd that they were spending peripheral monies they did not have.

Dr. Lewis replied that to his knowledge there were no cheerleading trips scheduled.

Director McKeon stated that it was part of his responsibility. If he had people not following his instruction, then they had another issue.

Mr. Majewski said that the scope of the problem that they were presently dealing with was not in hundreds or thousands of dollars, but rather in millions. He said that it meant that they needed to work together because they were talking about program cuts and major changes in the way they did business. They could either spend their time trying to volley back and forth or they could recognize in the beginning that if they were going to make cuts in the millions, they needed to think together about the programs, and who would be filling the auditoriums, and if they even wanted to go there or if not, then to go with referendum. He commented about the budget drivers, which told them where all the money was, noting that the revenue could not be changed. He reviewed the detail of the programs and noted how many zeros and negatives there were in the budgets. He said that they did not bring them a fat budget, adding that they spent a lot of time trying to find ways to come in lean. He explained there were problems that could not be addressed by themselves because if they had approved contracts, they must be honored. He further commented that the charter schools weighed heavily this year and if they looked at how much more they were paying and they could not affect it. The reality was if they were going to look at programs or the $1,000,000 cuts or not. He thought they needed to agree to do it or not, because if not, the reality was that they would be going to referendum.

Director Dexter said that she agreed with President Leeson in that the budget needed to go back to the administration. She advised administration to bring their recommendations to the board and agreed that they would probably tweak it and might not like one thing or like something better, but they needed a starting base. She did not think it was effective, in her view, to come to them with a budget that still needed cuts, noting that it was not just $876,000 and not just the $800,000 that they had in real estate that they were undecided on selling or what price it would bring. There was also the $1,000,0000 in a reduction for the privatization of transportation, which they did not decide on, in addition to the $120,000 in insurance savings that might be realized. She pointed out that they were just informed this evening that they really did not know if privatization would save them money and if so, then how much. Director Dexter stated that they were depending on the administration to come to them with a realistic starting point, which she thought a number of them were saying that they did not feel it happened. She understood what Mr. Majewski was saying, in that they had to think about a newer way of doing business. She reflected on last year, when they sat in the same room for at least five or six meetings and they went line by line with every major department to figure out how they could reduce costs and still exist. She said that they were able to cut $6,800,000 from the budget. There were requests coming to them that made no sense, from her standpoint, given the economic time. She stated that just a month ago, they were looking at a request for $1,200,000 in capital improvements for the stadium and she noted that it was requested and recommended by administration. Director Dexter said that $1,200,000 did not make any sense when they were looking at the numbers that they had in front of them with red ink on the paper. She also said that two months ago they were asked to upgrade the floor in the Liberty construction project for another $42,000 and a year ago they were asked to put a fence around Liberty High School for close to $500,000. The requests were coming at the board and they heard major flak when the board denied the requests. She expressed that the board would like to have realistic requests come before them and the trust factor in what they could look at and agree on would be a great deal higher and they wouldn’t be asking them to take the budget back and come back with recommendations. She thought that administration had a lot more information on the details. She didn’t think that it was fun for anyone of them to sit through the budget meetings and it was not how any of them chose how to do their work. She added that she did not think they were doing it last year to demonstrate that it was what they wanted to do every year, but were doing it to figure out how they could save, line by line. She now agreed with President Leeson in that administration needed to do it themselves, come back to the board for review, and their level of confidence would improve. She explained that the priorities of the board would vary, such as last year when she was defending the Rifle Program, as she had done in previous years. She listened to the students from the Career Academy and thought that the Rifle Team was important to her but maybe the $12,000 was needed to keep those students in that separate unit.

Director Dexter stated they could not always do it the way it was always done and had to look at it and say that they had five people in a department and now they can do it with four people. They had to make major changes, just as corporations were doing it all over the country and all over the world. She said that she wanted to see it done here in the district.

Director McKeon expressed that he would have hoped that they would have seen was that all of the proposed cuts in the proposed budget with the detail stating what was taken out of the budget and what the costs were associated with each one of the line items. He agreed with Director Dexter about differences in the proposed cuts but thought administration should present the worst-case scenario for the taxpayers and then go through the process of looking at what and how they could reinstate items. He understood that they could not factor in the exceptions because they did not know what would be allowed.

President Leeson questioned if the board, as a whole, wanted to see a budget brought to the board with a clear outline of the cuts.

Director Tenaglia stated that he agreed with Mr. Majewski in that the funding gap was too wide and unfortunately there would be some painful cuts in programs that didn't seem to be sustainable at the present time. He added that he appreciated the administration's difficulty and the board's position on the interest of taxpayers, but somewhere in a collaborative effort, they had to agree that there would be some serious pain. He thought that they were fooling themselves if they didn't think that they would eventually come to the present route and they might as well get there sooner to look at minimizing the seriousness, but the impact would be substantial.

Dr. Lewis asked if the board was receptive to exceptions.

President Leeson reviewed if it would mean going above the 5 percent increase and going to the exceptions so they would increase taxation.

Dr. Lewis inquired if the board was willing to go to a higher tax and the exceptions. He asked for a specific tax millage because they needed a target. He agreed with Director Tenaglia in that it was a seven-figure target area. He asked to what extent they would go to with the exceptions.

President Leeson stated that if they were to use all of their exceptions, they would be at 12.3 percent and taxes at 4.87 mills. If they went to the exceptions, it would be a range between a 5 percent and a 12 percent increase. She polled the board, asking if they could accept a 12 percent increase:

PRESIDENT LEESON – BOARD POLL
RE: TAX INCREASE

- Director Tenaglia – Try to keep it below 10 percent
- Director Dexter – 10 or 9 percent

- Director Koch – 10 percent
- Director Follweiler – She preferred referendum rather than a 10 or 12 percent increase without the taxpayer's voice. If they went to a 13 percent increase, which was beyond the exceptions, they then had to go to referendum and the taxpayers could elect or oppose an increase. If they kept it at 12.3 percent, because they filed for exceptions, then they had to vote.

President Leeson responded that if they went to 13 percent and the taxpayers rejected it, they could still go to 12.3 percent if they got all of the exceptions.

> Director Follweiler questioned if it was 5.1 percent without the exceptions, so then she would probably say no to the exceptions. She would rather see the taxpayers have the voice to go above the Act 1 allowable rate.

President Leeson asked Director Follweiler if she wanted to stay at 5 percent.

> Director Follweiler stated that she wanted to stay at the 5.1 percent or have the taxpayers have a vote. She did not think they could stay at 5 percent, after crunching the numbers and knew they had to do some serious cutting. She referred to the earlier question, noting that if they went to referendum, it would list items that could be cut.

President Leeson commented that the voter only voted yes or no and they did not vote on what to cut.

> Director Follweiler said that she understood, but as an example, they could either raise taxes or eliminate SPARK, RASA and Career Academy. She asked if the question would be posed in that manner.

Dr. Lewis replied that the question would read: "Will you support a tax increase in the amount of _____ at the millage rate increase of _____ for the Bethlehem Area School District. He noted that the referendum question was very simply worded and was a "yes" or a "no."

> Director Follweiler thought that it was stated earlier that it could be worded such that it provided explanation.

Mr. Majewski commented that because of the size, it was very limited. There would not be much of an explanation for anything so it would not go very far to explain the particular cuts.

Director Dexter inquired about the cost of the referendum.

Dr. Lewis said that his colleagues from Ohio, New York, and New Jersey shared that it cost anywhere between $50,000 and $100,000, depending on whether they needed to conduct a special election date, of which he was not sure about the timeline in relation to the May primary.

Mr. Majewski stated that he did not believe they had a special election date built into the Act 1 timelines and did not know if it applied in Pennsylvania.

Director Tenaglia commented that they could end up back to square one if the voters said no.

- Director Cann – She made comment that one of the PSBA sessions she attended was given by the only school district that managed to have a successful referendum. She explained that they had a mass public relations campaign for months. She noted that it was very time consuming and costly because they developed movies and flyers to get the word out to the taxpayers.

Dr. Lewis said that it pulled them away from their core mission for 10 months.

Director Cann said that she would be okay to go to the 12 percent and use all of the exceptions because she did not think they had a choice. She did not want to lose any more programs.

- Director McKeon said yes to the special education exception but would prefer to go to referendum. He would utilize all of the exceptions.

Director Koch added that it was what she was trying to say also, but President Leeson stated that they were not asking about that yet. She agreed with Directors Follweiler and McKeon about the referendum.

President Leeson asked if she just wanted to go to referendum or 5 percent.

Director Koch thought it would be fine if they could come up with something that prevented them from going to referendum but thought they would have to go to a vote.

Dr. Lewis reviewed that they could go to 12.3 without going to referendum, which was President Leeson's question.

President Leeson stated that she would certainly prefer the taxes in the 5 percent range, but she thought the board saw a tolerance at around 10 percent. She thought that if they brought back a budget around 10 percent that they could at least look at, they could then begin discussion. She asked the people who said "no" if they would be comfortable with at least looking at a 10 percent budget increase.

Director Follweiler replied that she would look at anything that was brought forth, because there was no problem with the workload of the review.

Dr. Lewis responded that it was fair.

Director McKeon added that they still had the ability to vote "no," which was similar to what happened last year.

Dr. Lewis agreed and expressed that they needed a point to talk.

Mr. Majewski informed the board that the translation of 10 percent to millage was 3.96 mills.

Dr. Lewis offered to explain some of the anomalies and outliers that were drivers in the matter.

President Leeson replied that she was very curious about them because it looked like they needed an additional 15 percent. She said that they cut out $6.8 million last year and added that they cut out approximately $840,000 from this year's budget but now they needed another 15 percent. She asked how it happened.

Mr. Majewski responded that it was not because the budget was being inflated. He addressed the assessments and what it meant regarding the collection rates. Going back to 1997-1998, he stated that it had not been uncommon for their assessment growth to be 2.5 to 2.8 percent, but it had been quite healthy. He noted that between 2008-2009 and this year, it presently looked like a 1 percent growth. He pointed out that there was absolutely no growth in the boroughs of Freemansburg and Fountain Hill and commented that the areas which were formerly strong such as Bethlehem Township, only had a 1 percent growth, which had a significant growth. The City of Bethlehem, which did not have much in the way of growth, was starting to increase, but was only approximately 1 percent. He pointed out that Hanover Township was probably the fastest in growth at about 1.5 percent. Mr. Majewski said that they had not seen this type of growth in the taxable assessment in quite some time. They were looking at the majority of the budget increases to be substantially higher than that, they were then falling behind. He noted that since the majority of the revenue was coming from real estate taxes, it became a huge part of the problem. The collection rate had also become somewhat of an issue also. He explained that two years ago, they were at 96.81 percent or an almost 97 percent collection rate. This year with the projections, they were at about 95.8 percent and were dropping it down to 95.16 percent with the 2009-2010 budget because they saw continued deterioration of the local economy. He addressed the earned income being affected by job losses. They were not looking at growth, but barely maintaining level with what they were budgeting in earned income tax, real estate transfer and sales related taxes, which don't exist. Mr. Majewski commented that they were struggling against a local economy that was flat and no different than most of the country. He said that some of the 15 percent millage increase was due to loss of revenue and on the side of expenditures; it was a handful of items, which would make it especially difficult when they were trying to make large cuts.

Mr. Majewski said they could not change the revenue if they were making large cuts. Several million dollars went to contractual salary increases, which could not be touched. He explained that he prepared something with regard to intersystem payments and the growth of charter schools.

Dr. Lewis asked Mr. Majewski about the document he had in hands regarding the estimated cost to the district.

Mr. Majewski addressed the additional detailed charter school application, which totaled $1,600,000 for the 2009-2010 fiscal year.

Director McKeon noted that the Morning Call reported a 30 percent increase in community college and charter school costs in their graph.

Mr. Majewski provided the board members with a detailed explanation of the intersystem payments with almost all of the increases in the charter school area. He noted that the state would provide some subsidy, but next year they would receive none for the additional increases. He further explained that it always followed the subsequent year and if they were lucky they received 30 percent, but usually less. Mr. Majewski pointed out that it was area of which they were required to pay, but could not do anything regarding budget discussion.

Mr. Majewski addressed employee benefits, stating that healthcare was the largest driver, but they were looking at increases of less than 6 percent. The CPI (consumer price index) was fairly inline with what they were seeing on a national level. He said that they were not adding positions and had some reductions, so it was somewhat of an offset, and not an unreasonable growth in the cost of health benefits.

Director McKeon inquired about the employee contribution for healthcare benefits.

Mr. Majewski replied that different groups provided varied support.

Director McKeon asked about the total payment percentage by employees.

Mr. Majewski replied that employees paid a very small percentage.

Director McKeon requested further information in the future from Mr. Majewski.

President Leeson reminded Director McKeon that the benefits were part of a contract; not allowing them the ability to change anything within the next budget cycle.

Mr. Majewski added that they would be bringing in approximately $800,000 from payroll deductions and projected the total cost of health benefits to be approximately $23,250,000.

Mr. Majewski addressed utilities, noting that in the past natural gas was an issue, but presently the purchasing system has kept down the cost. He had a concern with electric because in 2010 there would potentially be some significant increases from PPL. He expected that number to be more of an issue in 2010-2011.

The other large number was debt service, which was discussed. He hoped they could find a way to bring it down over the next couple of months, but it was not a present area where they had the ability to make much change.

In the area of transportation, some of the increased costs were related to driver wage increases; however, they also provided transportation for Intermediate Unit students, which contributed to a lot of the increase.

The teacher assistant costs were driven by special IEPs (Individualized Education Program) and the need to have contacts for the growing number of "at-risk" students.

Mr. Majewski stated that they could not easily address the aforementioned areas and noted that it would be a very difficult process to get it down 10 percent, which would be a target of over $5,000,000 to $5,500,000 in budget reductions.

Director Koch brought attention to a recent community college presentation regarding construction costs, citing that costs had dropped a great deal. She asked if the district had seen related savings on the Broughal project.
Mr. Majewski replied that they hadn't because the bids went out a time when the commodities were very high.

Director Follweiler remarked that stainless steel had just plummeted. She asked if there was anything they could look into that was not purchased, regarding raw material, which could reflect a savings on any the projects.

Dr. Lewis replied that they were on the finishing process at the present time. He mentioned that demolition costs were also significantly decreased.

Director Tenaglia asked about the timeline regarding additional meetings and budget hearings. He noted that the timeline did not synchronize with their actionable meetings.

President Leeson suggested that if the administration could give them a budget as soon as possible, such as next week. They could have a short presentation, taking some time to review the highlighted changes in the budget with clarifying questions only.

President Leeson stated that they could then make the decision whether there was a need to have another meeting. She believed they had a meeting scheduled for February 2 and if the board felt they needed an additional meeting, they could hold it on February 21.

Mr. Majewski pointed out that if they had a meeting on February 21, he needed to advertise it.

Director McKeon noted that the big issue was that, in theory, it could be the February 8 or 18 document.

Dr. Lewis agreed and commented that the other part was that they were asking administration to cut $5,000,000 and they had a booked solid schedule.

President Leeson commented that the problem was that they were supposed to get the budget in December and they just got it. She noted that all the work was not done and now they had to go back to get it done.

Dr. Lewis disagreed with her assessment, stating that the work was done but she wanted different work done.

President Leeson noted the 4.87 and that they still needed to cut $800,000, so she did not think it was quite done.

Director McKeon addressed President Leeson, pointing out that it was sufficient as far as a timeline. They were really working towards March and April.

Dr. Lewis expressed that they were really looking for more than 6 days, but would attempt it. He asked that they not be disappointed if it could not be delivered.

President Leeson asked for further comments. Hearing none, she requested a motion for adjournment and asked for an executive session to follow the meeting.

ADJOURNMENT

Directors Follweiler and Tenaglia moved to adjourn the meeting, which carried by voice vote. The meeting adjourned at 11:00 p.m.

Attest,

Stanley J. Majewski, Jr.
Board Secretary

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