BETHLEHEM AREA SCHOOL DISTRICT
BOARD OF SCHOOL DIRECTORS
BUDGET HEARING #2

FEBRUARY 25, 2009

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The second 2009-2010 Budget Hearing of the Board of School Directors of the Bethlehem Area School District was held on Wednesday, February 25, 2009, beginning at 6:03 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 Amato, Cann, Dexter, Follweiler, Haytmanek (arrived 7:04 p.m.), Koch (arrived 6:15 p.m.), McKeon, Tenaglia, and Leeson – 9

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.

COURTESY OF THE FLOOR TO VISITORS

President Leeson offered courtesy of the floor to visitors. Speakers are asked to come to the podium, stating their name and address. Public comment in the first session is limited to 30 minutes. Speakers are limited to three minutes each. The board requests that, when possible, all individuals supporting a like position on a topic select a speaker to present their views to avoid repetition. If that is not possible, all are welcome to speak. As per school board policy, generally, speakers are limited to taxpayers, residents, or employees of this school district. At the conclusion of the regular school board meeting, another block of time will be allocated for public comment. At that time, the same rules will apply. It is asked that speakers observe proper decorum, without personal attacks towards a specific individual or individuals. It is not the custom for the board to enter into a dialogue at these meetings about concerns. However, the board does listen with care to issues raised. Speakers will receive responses, in some form, by the administration.

The following persons addressed the Board of School Directors:

1. Joseph Hilton – 1151 Wheaton Drive, Bethlehem –
   Mr. Hilton was present to share his thoughts on the budget and potential tax increase. He conveyed that he knew they had a difficult job ahead, but noted that they were in difficult times and cutting the budget was tough, but it had to be done. The bottom line was that a tax increase during the current time would inflict great hardship on many people and thought it was unacceptable. He commented that many young people with families were being laid off or were placed on reduced hours. He added that many others had to accept a decrease in wages. Funds for retired people were shrinking along with CD rates and stock-related investments in some cases, were as low as 50 percent or greater.

Mr. Hilton asked how any entity demand more money through taxation at the present time. Mr. Hilton stated that he was responsible to prepare and seek approval for sales and operating cost budgets for the past 15 years. There was a demand for a zero increase in cost budgets. He noted that he worked for some very tough directors of the board and if he did not perform to their expectations, he would not have had a job. To his knowledge, it has been past practice in the district and was also part of the culture, to be very happy with demanding an above cost of living adjustment. The district should be working toward a zero tax increase and not nine or seven or five percent. On Monday evening he was handed a copy of prepaid invoices for board approval. It prompted him to question many items on the list. He asked how long it was since they received up-to-date quotes on electric, gas commodities, telephone service, office supplies and even Giant Food Market purchases. He knew they were working very hard to lower the interest cost on the large debt, which was a major problem, but he felt more oversight on all items was necessary. He also heard the expectations regarding the stimulus money and how it might help the problem with the budget. He commented that it might be true for the present year, but he asked what would happen next year and the following years, when there was not any stimulus money. He understood that, by agreement, the programs that benefited this year must continue next year and the year after. He asked where the money would come from when there was no longer stimulus funding. Mr. Hilton advised them not to include the stimulus funding in their plan. He was asked the board to do the right thing and demand better management of the money, demand cuts where cuts were possible and reasonable, but cut the budget to the point of a zero tax increase. He asked the board to be good leaders, be creative, and to make it happen.

2. Maryann Kearns – 603 South Bergen Street, Bethlehem –
Ms. Kearns identified herself as a fifth grade teacher. She commented to the board that she did not envy their job, noting that last year she sat in on board meetings as a class requirement and realized how difficult it was to run a district as large as Bethlehem, with so many constituents pulling at them. She was present as a voice for those who could not be present, those who felt inadequate to speak or might feel that their voice would not make a difference. She stated that she wanted to be a voice for the Regional Academic Standards Academy parents and students from the past, present and future. She believed that she was qualified for the task because of her experience working with underachieving students for 24 years and having the gut feeling that finally, at RASA, they could make a difference in a higher percentage of student lives. She explained that she had seen the worst-case scenario in East Los Angeles, where she began her teaching career. In one year, ten students from the eighth grade in her middle school, died in gang related deaths. They had "drive-by" drills instead of fire drills. The students lost faith in education and turned to gangs.

The reason she brought attention to those students was because they did not experience success in school, but if they did, things might have been different for them. Ms. Kearns said that she returned to the east coast as a teacher at Broughal Middle School. She stated that at one time she taught a summer camp at Broughal Middle School and was very impressed with an incoming sixth grade girl's writing, which was simple, to the point, and well organized. She questioned her as to where she learned to write so well and the student responded, "the academy." Later, during the school year, she encountered a new group of students, who were the kids from "the academy." She noted that those students knew technology like no others and became the leaders in her classroom. Their work was always correctly done and there were no behavior issues. Ms. Kearns stated that she began to look at all of her students more closely. She had an eighth grader, not from the academy, who just sat and would not do anything. She could not understand how a student could just sit and do nothing all period, day after day. She finally realized that he could not do the work, having a hard time with the research so he could never get to the writing part. She felt the system had failed him somewhere along the way. She decided to explore teaching at the academy, where she could make a difference. She felt fortunate to work at RASA, noting that the school offered what others did not on either coast. In addition to the small class sizes, RASA offered students laptops to extend their learning, as well as to motivate them. There were also many available interventions, which were not offered at other schools, for low-level readers and "at-risk" students. It was her opinion that it made a crucial difference to take the students from their home schools and place them where they were given a fresh start, fewer distractions and were grouped with kids whom they felt academically akin. There was no place for the students to hide at RASA because of the small class size. The students gained confidence because everyone was just like them and for the first time, many of them were experiencing academic success. Their reward was that they believed they would have options in life. From a parental perspective, they had parents continually telling them that it was the first time they did not have to fight with their child to go to school. Ms. Kearns concluded that she understood the focus of most people, which was the matter of dollars and cents, but she hoped that good "sense" would win out.

3. Randy Toman – 359 Tenth Avenue, Bethlehem –
   Mr. Toman addressed the board president, noting the estimated real estate tax collection rate of 95 percent. He asked if any thought was given to the percentage rate for the next two to three years.

President Leeson replied that the business manager was giving them estimates regarding revenue and had projected that they would be down.

Mr. Toman asked how much lower the revenue was estimated to be.

President Leeson responded that they normally did not have much interchange during Courtesy of the Floor. She conveyed that they would be having a presentation from administration, where they would receive information on some of the projections.

Mr. Majewski agreed that it would be part of the discussion.

President Leeson stated that she thought Mr. Majewski would be addressing it within the next few minutes.

4. John Del Vecchio – 2061 Tenth Street, Bethlehem –
   Mr. Del Vecchio recalled that he spoke on Monday night and noted that he had to rush through it because he wanted to make it under the 3-minute allowance. He was present today to share some more information that he could not give them on Monday. Mr. Del Vecchio distributed some printed information to the members of the board. He wanted to show that he provided true figures, to the best of his ability, on Monday night. He noted one of the figures was for the total cost of the drivers and at that time, some of the people on the board did not know they had 129 drivers on the payroll. If they looked at the salary of operations, the figure listed was $2,131,455. He explained that it was the exact expenses as stated at the top of the sheet. He added that the figure was from the 2007-2008 school year. Beginning in September for the 2008-2009 school year, the wages would be higher. He computed the hourly wage including the increase in rate, and the figure came to $46,382. He brought attention to the figure he provided on Monday night and said that he was trying to give them the true facts as stated. He reflected that the original figure he provided was $2,177,837. He explained that his figure was higher than what they saw on the expense report, because he used the $46,382. He reviewed that at the end of his 3-minute commentary, he said that he felt there was not one million dollars that could be saved. He said that he gave them a copy of the actual costs computed in the February 2 packet. Mr. Majewski and his department computed the costs. If they looked at the expenses, one of the next highest costs was for fuel. He added that last year, the fuel costs were up, which amounted to $600,000. He pointed out that whether or not they outsourced, they still had to put fuel into the buses. He said they would not be able to save money on fuel costs. If they looked down the line, there was a $540,000 in expenses for student transportation. That expense was already outsourced because they ran LANTA buses, noting that Director Koch mentioned at a previous meeting to look into LANTA in an attempt to save on costs. He also pointed out outsourcing to Jennings Transportation and for special needs students transported out of district. If they looked at office, administrative, and clerical expenses, he noted that at the February 2 meeting, he recalled Director Koch state that she could not imagine not having Mr. Himmelberger as a supervisor.

Mr. Del Vecchio explained that it was another expense that would not be saved. Their office staff resulted in $310,000 in expenses, which would still be an existing expense. He felt that since it was a budget hearing, he wanted to present figures from the budget. He wanted to show them that there were not a lot of expenses that would be eliminated if they considered privatization. He also brought in a hard copy of every pay stub he had from January 2008 until December 2008 to show his gross and net pay, if anyone wanted to check on the figures. Mr. Del Vecchio reviewed that there was one number that he mentioned as a 46 percent reduction in pay, but in actuality, it was 45.9 percent. He pointed out that he rounded out the figure. He concluded that if an RFP (request for proposal) was written, which meant they would go to outside contractors for a transportation bid, he would like the board to research to see if the RFP was available to the board and if it would also be available to the public for follow-up.

5. Katyln Bertsch – 2158 Drury Lane, Bethlehem –
   Student – Regional Academic Standards Academy –
   "My school makes me feel like we are a great family. I really improved my grades compared to what they were at my other school. Other students will make great progress as well as I did. The teachers are the best. They are so funny and helpful to us. I am begging to keep our school so kids could learn better."

6. Keely Young – 2650 Woodside Road, Bethlehem –
   Student – Regional Academic Standards Academy –
   "RASA is our family and next year we want to share our family with other people. This school helped me so much. If I didn't go to this wonderful school, I would still be in third grade. If you close this school it would break Miss Moran's heart. I am begging you to please keep our school up so when I am in college I can come back and help the kids have a better life."

7. Hector Anaya – 720 East Fifth Street, Bethlehem –
   Mr. Anaya stated that his son was a student at RASA. When he found out about the upcoming budget cuts he was bewildered by the entire thing. He noted that his son had previously attended Donegan Elementary School and his grades were not up to par. Since he had been at RASA, his grades had greatly improved. Before RASA, he was considering home schooling his child because he was not learning at Donegan and was coming home at times in fear because the setting was not proper for him. Now that he was at RASA, he awakens and was eager to go to school. He added that his son was happy and came home and did his work. Mr. Anaya said that his son was given the tools at RASA to do his homework at home and to go through the day at the school. He pointed out that if they closed down programs like RASA, his son would have to return to Donegan Elementary School and be lost again.

Mr. Anaya said that he did not have the resources at home in order to home school his son. His son recently went to a neurologist who began doing some studies on him. The doctor commented that whatever they were doing at RASA, they should continue, because it was great for him.

PRESENTATION TO THE BOARD BY ADMINISTRATION

Dr. Lewis stated they had several items to review with the hope to answer some questions. He said that Mr. Majewski would explain some of the more detailed information relative to collection rates, revenue anticipation, etc. He explained that they had been very busy working very hard in putting together some additional information. He attempted to email the board as much as possible regarding good news on debt service. He added that every little move or anticipated adjustment produced a better budget, but not a perfect or zero budget. He commented that it was certainly headed in the right direction. He said that the current budget proposal called for a 7.53 percent increase, however, he thought before people balked, they needed to go through some of the impacts and offsets which might be occurring that if as predicted and anticipated, could actually result in a net decrease in what a property owner might have to pay due to property tax relief which had been re-emphasized as recent as two days ago. The proposed budget called for an increase of 2.98 mills. He reflected that in 2001, the district saw a very sizeable increase, which was close to a double-digit figure. From that point on, the district had taxed at 1 mill or less. Dr. Lewis said that he did not go back to look at CPI rates, he suggested that it was under that rate in most instances. The current increase would obviously be above the CPI and would equate to a 7.53 percent increase on the millage impacts and resulted in 42.56 mills. The administration prepared a document and the board had received it. He noted that it was adjusted again and would continue to be adjusted. He explained that there was an explanation of Tier 1, Tier 2, and Tier 3. The decisions were made with the student instructional programs in mind. First and foremost, how the programs were developed, and also the facilities which were maintained in order to deliver the programs. The third portion covered the ancillary programs found in areas such as athletics, transportation, and areas which support the delivery of the program. He said that instruction remained the main determiner and added that he would try to allude to where those decisions were impacted. The Tier 1 adjustments on the first page were those which were included in the budget. The Tier 2 and 3 were not included and administration was not recommending those items. He stated that administration was recommending the items on the first tier. He pointed out to the board and the public that there were changes made to Tier 1, which were in grey at the bottom.

Dr. Lewis acknowledged the principal of RASA, who came to him and Mrs. Katona with some major adjustments that she felt would not jeopardize the integrity of the program, but would permit her to carry on. He noted that Miss Moran looked at creative use of PA Pact monies for the extended day, as opposed to a memorandum of understanding with the general operating budget contributions to teachers' salaries.

Dr. Lewis stated that Miss Moran's work yielded $217,000 in estimated savings, which was confirmed yesterday with Mr. Majewski during a meeting with Miss. Moran, Mrs. Katona and himself.

Dr. Lewis also brought attention to some athletic adjustments further over and beyond that Dr. Donaher was working on. He said that while they might balk at $10,000, he thought that every little bit helped.

There was a $16,000 reduction in Eden software maintenance costs. He explained that the program, which drove their financial system, was in its twilight year and they would be running a parallel program called the IFAS system. The company was not really interested in giving them a maintenance package for next year and he pointed out that Ms. Bachman crafted the cut.

Dr. Lewis announced an adjustment to the work-study portion of the Career Academy program, decreasing from two staff people to one person.

Dr. Lewis stated that the adjustments equated to $6,268,000 in Tier 1 adjustments. He thought it was important to recognize that the items were in the budget and that administration recommended them. He said it was not a pick and choose list. There were some things such as a contingency reduction in transportation, which obviously had been a topic of discussion. He commented that, as a point of information, drivers' salaries were only one portion of savings relative to a transportation option. The savings would abound in several other areas which were not discussed, such as insurance, lease back of potential buildings, consolidation of some of the runs because a third party might be able to do them in conjunction with other districts served. Dr. Lewis said that he asked Mr. Gilliland and Mr. Majewski if they were presently comfortable with the contingency number as being reachable and both gentlemen agreed. The RFP was a public document and as soon as it was issued, it would be made available for review.

Dr. Lewis said that as they went through the transmittal letter, he wanted to point to a few items before turning it over to Mr. Majewski for detail regarding revenues and expenditures. He explained that the budget was a document in process and would not, until the very day that it was voted upon, be finalized. He was optimistic that the number of 7.53 would further decrease. He added that stimulus money was a two-year implementation and not one-year, so it could be used to offset the general fund costs. For example, one area was technology and if it was purchased, they did not need to buy it in year two, three, or four. It was a one-time purchase with the need to make conscious decisions in four or five years when the technology became less usable. Another critical area was special education. Every year their general operating budget increased as a result of special education because their IDEA (Individuals with Disabilities Education Act) monies were inadequate from the federal supplement. He stated that Mr. Agretto was doing more with less because the number marginally softened each year.

Dr. Lewis explained that those dollars were fairly defined and sizeable. While they were in a stimulus package, they were title monies under IDEA. He noted that he has not seen a retreat in the amount of a sizeable increase and believed there was more permanence to those two particular categories than there might be to state stabilization monies, which were also part of the stimulus package. He pointed out that none of the budget revenues were predicated on the stimulus package. He believed it was more assured today than it was one week ago. They were still seeking information and as they received it, they would share it with the board and the public, relative to how firm the numbers were in the next few weeks.

Dr. Lewis addressed the expenditures and referred to the current budget. He reviewed that the board requested $1,600,000 in adjustments to the current operating budget. As recently as yesterday, they hit $1,682,000 in savings, with the most recent being related to the energy initiative, which was monitored by Mr. Majewski. He added that there were several areas of which they would still push to retrieve from and noted that the document would continue to be adjusted. He stated that it was important because it was not reflected in some of the other areas in the budget to the degree that they would like. If they could learn to live within the structure, they might see additional cuts as well. The administration was committed to reducing the budget and reducing the tax impact. They were also committed to maintaining the programs that were outlined and currently being run, which they were hearing about on a regular basis at meetings. Dr. Lewis stated that there would not be any new staff additions with some retreating in many staff areas. The laptop initiative would be maintained through its current lease obligation, or an adjustment thereof, or through grant opportunities. There would be no additional intentional contributions to the program from the general operating budget. Funds totaling $500,000 were maintained for textbook purchases, which was structurally important. The district's current class guidelines would be maintained. Dr. Lewis said that it was reviewed and it was not considered to be a wise move to increase class size. He stated that Mr. Majewski was constantly working on health benefits and was addressing the need of better administrative costs. The impact of intersystem payments was very hard to measure, whether it was a new charter school or an increase in the community college budget. He said that he was meeting to explore options surrounding the college and explained that the district paid its contribution to the community college to offset tuition costs for its residents. The payments covered the college, vocational school, all charter schools and the Intermediate Unit, with some costs being measurable. There was no option with regard to services for students in need. They were aware of the college and vocational school budgets, but the charter school budget was uncertain. It is impacted by the possibility of new charter schools or increased enrollment. Dr. Lewis commented that at times he was shocked after receiving bills for the charter schools, because he was not expecting an increase in students, thus having an intersystem impact.

Dr. Lewis stated they were continuously working on the fixed expenses surrounding debt service. As expressed earlier, he reviewed the good news relative to bank bond status, which gave them another opportunity to restructure. He thought it was important to note that the increase in debt service was continually being adjusted downward by Mr. Majewski. He said there were no major programs scheduled for 2009-2010, with a goal to maintain the present programs, but with many cases, in a different form.

Dr. Lewis spoke of the low tax impact, in terms of mills, as compared to other districts in Northampton County. He stated that the same home transplanted into any one of the other seven districts would have a greater tax.

Dr. Lewis explained that they were doing a better job of projecting special education costs and were looking at ways to use ACCESS to cover some expenses. He noted that there were specific dollars in the stimulus package, which could be used for that budget and might soften the budget increase.

Dr. Lewis deferred to Mr. Majewski regarding some of the revenue impact that definitely complicated and confounded the situation. The expenditures, whether they were utilities, healthcare, or salaries, were more in a fixed status but revenues were being impacted in a negative manner. The job in front of them was to push toward a balanced budget.

Mr. Majewski noted that the question on assessments was one, which they wrestled with yearly because the majority of their revenue came from real estate taxes. The budget received over 74 percent of revenue from local taxes with just over 24 percent from the state. He said the largest component was real estate taxes with several factors having an influence, such as the growth of assessments. During the last several years, they had increased assessments, which had been somewhere between 2 and 2.5 percent. He pointed out that at least two communities were showing no growth. The townships probably had the largest growth with Hanover Township showing some growth but considerable slowed growth in Bethlehem Township. Those factors were being considered in attempting to project assessments. The City of Bethlehem appeared to be a bright spot in the assessment base because for the first time in probably the last year or two, there was growth occurring in that area. It was important because one-half of the total assessments were from the City of Bethlehem. He reflected upon Martin Towers, which had a market value of $74,000,000 – $75,000,000, and effectively almost declined to zero. He commented that those reductions hurt the district. There was an estimate in assessment growth of approximately one percent, which was a fraction of what it had been, but it was realistic. The other positive development over the past few years, having some residual effects this year, was the need for escrow accounts for refinanced mortgages, which resulted in collection rates increasing from 95 percent to an excess of 97 percent.

Mr. Majewski noted they were lowering the collection rate next year to 95.1 percent because the local economy did not show signs of improvement so they expected a lower collection of real estate taxes. In comparison to past averages of 95 to 95.5 or 95.6 percent collection rates, they would be lower than average. The lowest he located was during the early 1990s with an average collection rate of just under 94 percent. He explained that at times there were higher unemployment rates so the collection rates had deteriorated. If thought it was reasonable to think that if they had continuous economic decline, they might end up with a 93.5 to 94 percent collection rate. He advised to keep in mind that the vast majority of their real estate tax bills were going to homes that still had a mortgage with escrow payments, so it provided some stability. As far as growth over the next few years, there was potential growth for the City of Bethlehem, but he expected the townships and boroughs to remain flat. It was possible to see further deterioration in the value of a mill as applied to the budgets. He said that he would continue to monitor it by keeping historical trends and by keeping the board apprised.

Mr. Majewski addressed another issue having an impact was relative to the reduction of new construction, which resulted in lower levels of real estate transfer taxes and interim taxes. He explained that those were also reduced in this budget as well. They were looking at a local economy, which had deteriorated, but might not be as bad as some areas and he believed the broad base of community business, unlike what it was years ago, provided them with greater financial strength. He questioned what the future would hold or if there would be a turn around. The best he could state was where they were at the present time and continue to monitor it, adapting as they saw change.

With respect to investment income, Mr. Majewski explained that as the federal government lowered rates, the cash reserves had declined; therefore the amount of money invested had declined, resulting in a sharp decrease in what was budgeted for investment income. He added that the governor’s budget had shown a large percentage increase and he was unsure if it would be maintained, but was optimistic.

Mr. Majewski reviewed the area of expenditures and compared it to a business, stating that they needed to operate in a more business-like manner. Unlike a business, they could not shut down operations because of expenses and were required by law to provide services to the students of the community in the form of education. Additionally, if a special education student became very expensive because of their severe needs, they could not deny them services. They could take legal action to force payment with some of the costs reaching $100,000 or more. They also had to take all students who wanted to enter the district. Mr. Majewski commented that they were a labor-intensive organization, having various contracts and relying on many individuals for services in the community.

Mr. Majewski stated that the district was required by laws created by the Commonwealth of Pennsylvania to fund charter schools. The district could not refuse to pay the bills or the state would intervene and take the money from their subsidy. Their options to reduce the costs were very limited. They could only delay payment, but it would be reflected as an actual cost to the school district. The more one gains knowledge about school district financing, its funding, and the impact of required payments, the significant challenges become realized. They were trying to meet those challenges by looking at commodity prices, reducing thermostats in the schools to lower costs, and bidding on almost every supply or piece of equipment purchases, so it was competitive.

Mr. Majewski discussed the cost of transportation and noted there were approximately 50 employees receiving health benefits at a cost of approximately $10,000 - $11,000 per individual, which amounted to $500,000 to $600,000, which was budgeted under the health benefits category. The other area that they could not presently afford was for the replacement of capital equipment. If they were to make replacements on schedule, they would need approximately $1,000,000 in the budget for vehicles. In addition, there was the cost associated with the retirement system. What was listed was probably supplemented by almost $2,000,000 in additional costs. Until they looked at the RFP, they did not know where the savings would be to properly allocate them. He explained that the state had a subsidy structure that created greater revenue for contracted transportation as opposed to district-operated transportation. He pointed out that they would pay a higher depreciation rate for the vehicles and also pay a greater cost per mile. In addition to the aforementioned costs, they were looking at the consideration of the additional subsidy, which they would receive through the state's calculated formulas.

President Leeson reminded the board about goals they set in May 2008 with some speaking to the budget and some not. She reviewed the following goals:

- To establish a mentoring program for basic and below basic students in the high schools –
- Reduce the achievement gap by 15 percent, while expanding opportunities for higher achieving students by 15 percent –
- To move off corrective action –
- To monitor the district budget and under spend the budget –
- To create a safe school culture through the consistent application of the Student Code of Conduct as measured through pre and post qualitative data such as teacher, parent, and student surveys –

President Leeson summarized that the two primary goals were to correct the financial problems and to move off of corrective action, which should drive their decisions as they moved forward in the budget process. She opened the floor to the board for questioning about the budget and the presentation given by administration. She then recommended moving into the second part where they would view the budget cuts recommended by administration.

The final area to address was information the board wanted administration to bring back to them at a future meeting.

Director Leeson stated that her foremost question was whether they had a realistic budget. Her concern was that they had over spent the budget for two prior years and had an anticipated $8,100,000 deficit by the end of the year. She did not really see anything in the budget that would help them address it, unless they had some ideas that she misread. Her second concern was regarding the unexpected debt service expense. She reviewed the last few years and said that some would state there was a need to significantly cut programs and that they were generally overspending. She added that it was not just by the reduction of a .5 position or by shutting off the lights. She said that they needed to make major changes to get themselves within a realistic spending pattern. She inquired about administration's viewpoint regarding those issues.

Dr. Lewis replied that he thought they would be oversimplifying if they just said that the budget was overspent. He thought the budget was underfunded in areas that could not be perceived to be what they were, noting that it was not the first year that it happened. He reviewed that in the last two years, they suffered a tremendous impact on the realty transfer tax with a most recent loss of $1,000,000 which was not overspending the budget, but rather people not selling their homes which resulted in a shortfall on the revenue side. Interest income also had an influence with roughly $1,500,000 lost in savings. He also mentioned state and federal funding cuts with declining state assistance in the general subsidy being historical. He thought they had a realistic approach and also thought the board needed to decide what the political will would be to tax in a fair way and to keep in mind that many people were experiencing economical difficulty. He explained that they could not deficit spend; like the federal government, however they could look at rebuilding the fund balance over multiple years. He compared it to President Obama stating that he would fix the deficit within one year. A more ambitious approach for the district would be to say that they needed to rebuild the fund balance with "x" number of dollars per year.

Director Dexter asked Dr. Lewis if she missed it in the budget.

Dr. Lewis responded that he thought that there was an effort, which was their annual adjustment, where they continually looked at attempting to deliberately underspend. He thought the state did not like the philosophy, but he thought it would be their imperative.

President Leeson replied that when he said they were underfunded, she commented that they would all would like to not have restrictions in the budget. When they were given a budget, they would all like it to be a little more, but the point of the budget was to work with how much was available.

President Leeson also addressed his comment that they could not deficit spend. She noted that they were deficit spending.

Dr. Lewis responded that what he meant that they could not intentionally craft a budget that headed toward a deficit spending model and had to strive for a balanced budget. When certain revenues were not realized, it was an immediate deterrent to reaching the goal, which was his answer. It was undeniable that they were in a deficit, but his point was as to how they got there.

President Leeson commented that it was not only revenue, but also expenditures.

Dr. Lewis replied that there were drivers in some cases such as electricity, special education, and some other areas. He also pointed out that some areas were underspent.

Mr. Majewski agreed that the 2006-2007 budget was overspent having some extraordinary expenses. The 2007-2008 budget included one-time non-recurring expenses as a result of the audit because $1,700,000 was viewed differently by the current auditor for Apple leases. There was a charge assessed on the account, which was not budgeted nor was it anticipated, because it was different than how it was perceived in the past. There was also another $819,000 charge for prior period adjustments, which would have netted out. When they took out roughly $2,500,000 to $2,600,000 one-time adjustments, the budget would not have been overspent, but would have been in line with what was accrued. They used that type of budgeting to move forward this year. He believed that within the expenditure side they were looking at a realistic budget. In 2007-2008 the real estate revenue was not coming in as anticipated. They had to lower their expectations and in the current year, they had to further lower their expectations for 2009-2010. The only way they would know if it were a realistic budget was after the fact. Based upon every factor at the present time, he said they were trying to budget the revenue and expenditures in a realistic manner, based upon the available data.

Director Dexter stated that it seemed to her that they presently had a pattern of spending which showed what they paid out was greater than what they took in, for a variety of different reason for three successive years. They were in a time that nobody could begin to describe as stable, yet they were projecting certain expenses. She noted there was $800,000 projecting because of additional interest reduction due to improved marketing conditions but they all knew that it could also change. They all knew that a lot of things could change such as having more special education students coming in or more students attending charter schools. It was her view that they needed to realistically plan for expenses, but also to have some room in the budget so they would not be saying at the end of the next year, “Last year at this time, we were at $8,100,000 in deficit and now we were at $12,000,000 or whatever.”

Director Dexter expressed that they just could not continue to do that. She added that she extensively reviewed the budget minutes in preparation for the budget hearing to see what went wrong. She recalled that Dr. Lewis commented about the board not taxing enough.

Dr. Lewis responded that he said "We as a district did not tax at a level to sustain us."

Director Dexter said that she heard it differently, but nevertheless, she attempted to analyze where the administration and the board went wrong. She questioned if they were running more programs than they could afford over time or was it just a one-year problem. Her conclusion was that they were running more programs than they could afford. She noted that they were great programs and recalled that Dr. Lewis was quoted in the newspaper as stating that they could not afford to not have the programs. At different times she would also agree, but wondered if they could afford to run them because they all heard the auditor state that when there was a pattern of deficit spending, they were at risk to become a distressed school district. She said to put the brakes on it now, bite the hard bullet, and not to say that they would hope the budget would work out next year. They needed to adopt a budget that they knew would work out and would provide them with some flexibility so that they could start to make-up some of the deficit spending and/or create a reasonable fund balance so that the next time they had a crisis of any sort, they would not wondering if they would be a distressed school district. Director Dexter mentioned that the board members all received an email from Mr. Russ D'Entrone and read the following communication:

"We are in a recession to the point of near deflation. I do not suggest that the district resort to the labor intensive fiscal policy of zero based budgeting, but I do suggest that you mentally remove all non-K to 12 programs, except sports and extracurricular, from the budget, and ask yourselves, 'If we put this program back into the budget and have to raise property taxes to do so, can we justify it to the taxpayer in these economic times?' It might make your job easier if they asked if it was luxury programming and if the expense belonged in the 'It would be nice to have category, or it is a mandatory program and we cannot do without it.'"

Director Dexter thought that he was suggesting the SPARK Program. She commented that she loved preschool and realized that quality preschool education had definite and measurable benefits for students in their education. She would hate the thought that they would not have a preschool program in the district, but sometimes they had to look at the very harsh realities. They were at $8,100,000 deficit spending and could not afford some of the programs. She did want to cut anything, but thought they had to because it was their job.

Director Dexter addressed Ms. Moran's projected savings proposal of $217,364 for RASA. She stated that in Tier 3, the savings stated RASA was $928,636, which she assumed was after the projected savings.

Director Dexter pointed out that it did not add up to what was on the back, which was stated as $1,478,000. She explained that she looked at the numbers and thought that the SPARK number was used as a starting point and she subtracted RASA but it still did not come out quite right, but was a lot closer.

Dr. Lewis responded that he would review the figures.

Director Dexter said that they could say they chopped items, but her question was, "Could they could afford a preschool program, when they could barely afford to educate the students that we must educate?"

Dr. Lewis replied that he understood Director Dexter's point, but thought they had to weigh what some economists called consequential costs. He brought attention to President Obama's recent comments about early childhood education being a high priority. If they did not teach the students to be reading and math ready when coming in, then they would need to do something later. He could not provide the cost, but he knew that it was much more difficult to remediate reading than it was to teach it in the developmental stages, where it was most appropriate. The other area of caution was that they had a large investment from the state in terms of early childhood monies that were powering the program. Dr. Lewis stated that there was a large amount of grant money involved of approximately $2,000,000 to $2,500,000. He added that most recently an additional $330,000 came through for Marvine to fund the 3 and 4-year-old program, which was 100 percent funded. If they gave it up, they might save whatever the amount reflected, but they would be giving back an equivalent amount, if not close, and they would be paying to educate and remediate those children down the line. He could not see how they would avoid it.

Director Dexter commented that they should have that number in front of them because she could not tell by looking at it if it cost them $1,400,000 of local taxpayer dollars to run SPARK or was it $200,000. She explained that she could not really tell from looking at the numbers.

Dr. Lewis responded that it was showing the local effort.

Director Dexter stated that if it was the local effort, then they should be asking themselves if they should be running a modified program funded only by the grant money received and then identify the neediest children for SPARK. She also compared the district to other similarly populated districts, such as Hazleton, Wilkes-Barre Area, and a few others. She utilized a website to compare student academic achievement and thought they needed to look at how similarly populated schools that did not have preschool programs performed. It might provide information as to whether it was true that they would incur additional educational costs if they did not have a preschool program or was it just something they feared.

Director Dexter thought the analysis needed to be done because they needed to know if they were spending essential dollars. She recalled a comment recently made during a previous meeting by a parent who referred to the program as daycare. She knew that SPARK was much more than a holding area for the children and thought it was a wonderful program. Her comments had nothing to do with the quality of the program, but rather the essential component of the service. She wondered how the program would be if it was only run with grant money.

President Leeson questioned if they were looking at a modified program and would only use grant funding, could they possibly look at also moving the location. At one point she thought it was at the Monocacy Building, which was probably not a particularly adequate building.

Dr. Lewis replied that they did not have it at Monocacy.

President Leeson replied that they had it at Monocacy and at Rosemont.

Dr. Lewis thought it was in its infancy at that point.

President Leeson recalled that there was a program at Monocacy and then at Rosemont. Her point was to look at the possibility of moving the program in order to free up a building, which they might be able to sell in order to reduce the deficit. She said it was listed as $2,900,000, which could go towards the anticipated $8,000,000 deficit, at this point.

Director Tenaglia noted that when Dr. Lewis was making his presentation, he mentioned charter schools and intersystem payments. He asked if it included cyberschools and whether they had an idea about the registrations.

Mr. Majewski replied that they had approximately 100 students.

Director Tenaglia noted that it could fluctuate. He reviewed that the most recent calculations amounted to an approximate $5,000,000 deficit. He said that the last fiscal year ended with an approximate $3,100,000. He noted that at the end of the present fiscal year, they anticipated an accumulated deficit in excess of $8,000,000. The current proposed budget did nothing to address it.

Mr. Majewski replied that in order to be able to address it, one of the considerations would be to have a contingency built into the budget, which would mean taxing at a level where they did not have identified areas. It would either provide a contingency against further revenue erosion or if they did not have further revenue erosion, the ability to create a surplus. They would be funding the identified programs and also fund the contingency.

Director Tenaglia looked forward to the next fiscal year and believed that the state had given them a percentage increase for their contribution regarding retirement services, noting that it more than doubled.

Mr. Majewski replied that what he was viewing was the 2012 projection, but at the present time the percentage was at 4.76, the following year was 4.75, and then it would bump up to approximately 7 percent. He said that it started accelerating at 2012-2013 year and forward. He explained that they still have not identified what it might be, which it could be anywhere from a 12 to 13 percent rate to as high as somewhere around 20 percent.

Director Tenaglia commented about anticipating the coverage to cover that contingency.

Dr. Lewis mentioned that there was some discussion at state level regarding a new class of retirees and going away from it to find benefit arrangements. He added that he did not know PSERS or legislative thoughts. He said it would go in with a “grandfather,” might it might have an impact on reamortization of the rate to cover those in the current class.

Director Tenaglia asked administration to elaborate on the statement regarding the debt service increase of $3.4 million or 1.32 mills that would impact the proposed budget in a positive manner.

Mr. Majewski replied that when they had the initial presentation, it was at a much higher rate and since that time it had come down. The statement was relative to earlier discussion of the 2009-2010 budget.

Director Tenaglia replied that he did not mean to minimize it, but it was his projections of what the debt service expense would be for the future year. He noted that for the current year, they went through the first four months of the year with no adjustments. He said that they budgeted approximately $19,000,000 for debt service and in November they modified it to $24,000,000. In December it was ratcheted up to $25,100,000. The most recent adjustment in January was $23,400,000. He commented that it seemed that the probability of it being a positive aspect was rather remote. Director Tenaglia added that it was a difficult number to arrive at and it was a moving target, but, based upon even the most recent experience in the current year, they were seeing vastly different swings in the month-by-month projections. He asked Mr. Majewski if he was confident that the reduction would be achievable.

Mr. Majewski responded that he was not sure anyone could be confident about the banking industry. He questioned how many people were actually prepared for what happened in September because it was definitely not a normal activity. It impacted large organizations to the point where they disappeared. He commented about present activity and as long as there was a continued effort to fix banks and to encourage that they stay in the credit market to make loans to get the economy going. He said that he was reasonably confident that what was in the present budget, should be sufficient to be able to pay their debt service.

Director Tenaglia reflected on the presentation heard on Monday regarding the restructuring of the West Cornwall debt. He reviewed the very good news that the Shippensburg accelerated amortization was eliminated from the list of outstanding variable rate debt in bank bond status because those bonds were moved out of bank bond status. Other than those two adjustments in their long-term debt structure, he asked if Mr. Majewski was anticipating any other modifications in the proposed budget with regard to debt structure.

Mr. Majewski replied that instead of an approximately 4 percent or lower interest rate, it reflected a 5.2 percent rate. He built in continued movement to the direction of some restructuring with some contingency built in if they experienced some brief problem periods.

Director Tenaglia reviewed that Mr. Majewski forecasted 4 percent for the current year with regard to net interest costs, but had ratcheted it up to approximately 5.25.

Mr. Majewski replied affirmatively.

Dr. Lewis commented that Director Tenaglia was correct, but wanted to respond to his first question regarding the bullet related to the debt service increase of $3,500,000 for 1.32 mills. He stated that it was in reference to the original budget that came out and that number was $4,500,000 at 1.73. He said that the way it should have read was, "in a less impactful manner," and not in a "positive manner." He said they would change that statement because it was syntactically incorrect.

Director McKeon addressed the salary increases regarding the transmittal letter. He calculated that the number reported was approximately $50,000 overstated. He asked if there were salaries missing and noted that individuals were exceeding the taxable amount on one piece of the social security. They still had a residual of 1.65.

Mr. Majewski replied that Director McKeon was correct. The reasoning that it was budgeted slightly higher was that under most federal grants, they should be sufficiently budgeted to be able to pick up 100 percent. In the event of any change in the ability to be able to fully fund, there was a very small contingency built in.

Director Amato reviewed the budget total, noting 78 percent of the figures were fixed involving contractual agreements with employees and debt service.

Dr. Lewis replied that as long as they did not change anything problematically, the fixed costs remained. If they closed a program, then the fixed costs would be adjusted because there would be a reduction in force.

Director Amato stated that the district had $140,000,000 of fixed expenses, which meant that they were really talking about a $40,000,000 budget, which they could go into and reduce. He said they could make adjustments to 20 to 25 percent of the total budget to put them into a state of being financially sound. He thought they were going to originally reduce the budget by $5,000,000, which was 12.5 percent of the "what we can work with" budget of $40,000,000. He commented that he did not know how they would do that without really affecting some programs. He noted a recent conversation with another board member and stated that the individual recalled that six to eight years ago, the district was financially and academically sound. He thought they should go back to that point in time and use it as a data point to look at what programs were in place, how they were running the district, and what they had added since that time. He reflected that they had added two programs since that time and questioned if they could afford them. Director Amato reverted to the gentleman's statement during courtesy of the floor, that he was involved with budgets in the private sector and his stakeholders told him where he needed to be and he better get there. He did not want to go into the budget and randomly slash programs. He added that he went through the same thing in the private sector on three occasions during his 32 years of working at various printing companies in the country, and expressed that they always came out of it better because they trimmed the fat. He did not want to refer to the programs as "fat" because they were not. He commented about SPARK, saying that when you walked into the building you could see the glow in the children's eyes and their accomplishments through the teachers. As Dr. Lewis stated, down the road, the program would probably pay for itself. He was not in support of ripping out the infrastructure of the district by slashing $5,000 here and there, but rather, they had to make some tough decisions, which he thought Director Dexter had alluded to by mentioning programs. He thought by using grant money for the programs and abbreviating them, but not cutting them out completely, would be sensible and affordable. If they received $2,000,000 to run the preschool program, they should run it with the grant money for a period of time and not just eliminating it. It would not cost the taxpayers any additional money to expand the program. They might be able to build it back up in the future. Director Amato said that he could recall past budgets where they had fund balances in the double figures. He added that they slashed the fund balances because many board members told the administration that they wanted a zero percent increase in taxes.

President Leeson replied that she agreed with some of Director Amato's statements, but corrected his statement regarding the fund balance with the board repeatedly going into it. She recommended that he go back to read the minutes because the recommendation came from the administration. She added that the board always asked if they felt it was sound balance and they were assured that it was sound. She recalled the 2006-2007 year, when they had difficulties and were assured that it was sound and that they would probably be able to add to the fund balance throughout the year.

President Leeson agreed that they did ask to see zero tax increase budgets, but they didn't just look at taking from the fund balance, they also looked at reducing costs. She concluded that it was an opportunity to "look at" and not to necessarily pass.

Director Amato agreed, to a point, but they asked them to slash the fund balance, and that was what they did. He thought that Mr. Majewski came back and stated that they needed to have a percentage of the total budget as a fund balance and if they went below that, they could have some problems. He pointed out that it was exactly what happened. No one thought that oil would go from $40 a barrel to $150 a barrel, when they budgeted for $50 a barrel. They took from the fund balance to get the rest of the money to keep the lights and heat going.

Dr. Lewis stated that someone recently told him that they needed to take a different approach to it and stop talking about "what was" and at looking for blame regarding the issue. If they were doing that, they were distracted from finding a solution to the issue. He thought they needed to shift the conversation to how they were going to "right" it. They could go back and interpret what they heard, six to ten years ago, regarding a healthy fund balance or if there was an AYP process in place at that time. Dr. Lewis said they could debate it, but the important thing was to shift the conversation to the possible solutions and what could be done to right the ship. He said they needed to be realistic. They would never rebuild the fund balance with a zero-based tax increase. There had to be a balance of taxation and adjustments with a focus on solutions.

President Leeson replied that the board's focus was to look at the solutions, for the most part, all along. She added that she was correcting some misstatements made both tonight and in the past.

Director Koch stated that she heard from quite a few people on the cuts and their reasoning. People were saying that they should keep the required programs and eliminate the programs, which were not required. She noted that she loved the SPARK Program, which was wonderful, but they were seeing now that, perhaps, they could not afford it. She emphasized that she would not agree to sell land. She thought it had been awhile since they received a report on SPARK's progress relative to their student progress in later years. She stated that after listening to recent speakers, she got the impression from one of the parents that her daughter was doing so well in SPARK that she could send her to a charter school. She wondered how many children actually enrolled into Bethlehem School District schools after they were finished with the program. She asked if they were paying for the students to go elsewhere and do well. She thought they should be concerned about the children who would be attending the district's schools, which excluded the charter schools.

Director Koch complimented Mrs. Cintrón's department regarding their success in securing grant funds, but questioned the process. She explained that the grant money often carried the program for one or two years, and then after that period, when the funding stopped, the district was expected to carry the program although they were no longer receiving the grant money. She pointed out that the grant money did not have a continuous flow. She said that people in the community were commenting that they could not keep paying for additional programs if they could not afford existing programs. She agreed with Director Amato regarding his opinion that after some time they might be able to put some programs back, when times improved. She concluded that they needed to be practical at the present time.

Director Follweiler stated that many of her fellow board members echoed her thoughts. She referred to Tier 1, 2 and 3 and noted the list they were working with for the last several week regarding the non-mandated items, pointing out that several were not on any of the tiers, such as SPARK, Community Service, and Welcome Classrooms. She wondered if they did not fall into any one of the tiers.

Dr. Lewis replied that they were listed, because they were non-mandated and if the board wished to move items onto or off a tier.

Director Follweiler said that she had similar feelings to what three other board members had this evening considering that out of all the programs, SPARK being a Prekindergarten and the mandate being K through 12. She was surprised that it was not in the same Tier 3 category as RASA and Career Academy. She recalled that Director Cann had asked on two different occasions to look more seriously at Community Service. She thought that it would have made it to one of the tiers.

Dr. Lewis responded that if the board wished, they could move things, while they were not recommending the cutting of Career Academy or RASA. He shared that a member of the public said that at least if they were forced to remove the programs because of budgetary reasons, the students would have a slot or a place to go, but if they closed SPARK, the children had nowhere to go. He added that Head Start was addressed and they found they would lose 70 Head Start children who they serviced at SPARK because Head Start could no longer support them. Their rationale was that there was absolutely nowhere for the children to go. Dr. Lewis stated that he would like to go back and examine what they could run exclusively with grant money. He added that he could not answer until he had discussion with Mrs. Cintrón because he was concerned about supplanting issues. He stated that if the board wished, they would move it over to Tier 3 to be more of a focus for possible adjustment.

Director Follweiler commented that they received the same themed suggestion from others in the community about the recommendation to concentrate on the mandated programs. She said that part of the 78 percent was frozen due to salaries and a portion was frozen due to other mandated entities, so they had to look at it. She thought that they needed to move forward to come up with solutions but added that sometimes they could learn from past decisions. She would move the items onto Tier 3 at a minimum, as to keep them in the discussion. She reflected on the email, which stated to look at everything not mandated, including education, extra-curricular activities and athletics. They had discussed it at some previous meetings that they would budget for everything PIAA sanctioned, but not anything beyond. She could not determine if it was done because of the way the budget was divided into departments. She thought the members of the community should have a very clear and concise line on what they agreed to fund.

President Leeson addressed the items that would be moved to Tier 3 and asked if any members of the board had objection. Receiving none, President Leeson requested the items to be moved to Tier 3.

Director Follweiler thought that anything non-mandated should be on Tier 1, 2, or 3.

Dr. Lewis noted that most items were on Tier 1. He added that those three were stricken in addition to the sale of the Freemansburg/Farmersville property.

Director Follweiler pointed out that the property sale was listed on Tier 2.

Dr. Lewis apologized and noted that it was listed under Tier 2. He stated that it was not their intention not to move items onto the tiers, which was why they included the original list on the backside of the document. He added that if the board reviewed any of them and wished to have all of which were missing placed on Tier 3 to give them a perspective, he was agreeable. While he would examine the grant situation relative to existing programs with Mrs. Cintrón, Mrs. Katona, and Mr. Washington; he cautioned the board that they might be in some type of supplanting mode. Dr. Lewis also responded to an earlier comment made by Director Amato and pointed out that in 2002, SPARK had already been in existence for approximately 9 years. He added that RASA was in its inception year, having been developed prior to his arrival and he supported it. The Career Academy was added over the last few years, which would be considered the new program. Beyond that, the technology initiative was new and for the most part moved out of the general operating budget. Additionally, the charter schools had a major impact, of which they had no control.

Director Follweiler addressed her question regarding athletics.

Dr. Lewis stated that Dr. Donaher and Mr. Majewski were working on that area. He asked them if they removed non-PIAA sanctioned events.

Dr. Donaher replied that all of their sports were PIAA sports except cheerleading, but it was supported. Lacrosse was being added as a club sport, but it was also a recognized PIAA sport.

Director Follweiler asked about a clear-cut line that could be understood by people in the community as to what would or would not be funded. To use the example of the Virginia Duels. She noted that it could be used as part of the requirement into the PIAA, but the event in itself was not a PIAA event.

Dr. Donaher explained that they had to get sanctioned for Pennsylvania wrestling.

Director Follweiler replied that they could work out the details and if the students were attending zero, then it was the clear-cut line. If there was something over and above it, then she thought they needed to be aware of it. She gave the example of Penn Relays, which was not PIAA sanctioned, but perhaps students were sent to the event. She was looking for something for people to understand and avoid confusion. She reviewed the decision regarding lacrosse as a club sport and thought there might be other sports classified as clubs, such as the Rifle Team.

President Leeson noted that the Rifle Team was under discussion.

Director Follweiler commented that it was moved in the budget. She questioned Dr. Donaher if it was PIAA sanctioned.

Dr. Donaher replied that rifle was a PIAA sport, but there was no state championship.

Director Follweiler stated that it was something brought up at a previous meeting and she wasn't clear if it would be in the budget. Her question was answered if they had already covered the events and had a clear-cut line, which the community could understand.

Director Amato attempted to clarify with regard to PIAA sanctioned sports. He noted that the PIAA sanctioned certain events for participation. He explained that when he had a tournament at Wilson School District, they had teams come in from out of the state. He said that he had to send the state of Delaware information about how the sport was sanctioned in Pennsylvania so they could be cleared for participation; otherwise they would end up in trouble with the state of Delaware for attending a sport that was not sanctioned. A governing body sanctioned most events, whether it was the state of Pennsylvania, PIAA, or the NJSIAA. He added that the Penn Relays were sanctioned by the state of Pennsylvania.

President Leeson invited Director Haytmanek to comment.

Director Haytmanek conveyed that the district was in a budget crunch and unfortunately it was something that the entire community would have to pitch in. He said that he would hate to lose programs such as SPARK, RASA, and the Career Academy. There was no question that they had a group of children who needed the programs. It was a question of whether they would pay now or pay later. If they short-changed the children now and decrease their ability to learn when they were very young and their minds were fertile, they would have trouble later.

Director Haytmanek commented that he hated seeing shots taken at people and wanted to see more collegiality. He heard people taking "pot-shots" at administration for not telling the board things. He thought they all needed to work together in an effort to come together and make a better district for everybody.

President Leeson stated that although she did not speak to the other board members who had the idea of comparing past budgets, she compared the present budget with where they were several years ago as to the significant increases. She pointed out that there were some interesting significant increases. One area where there was a significant increase was information technology, where they went from $543,095 to $3,500,000 actually spent in 2007-2008. They were currently considering a budget of $1,593,000. It was an area of huge growth and noted that they added a lot in the area of technology with the one-to-one laptop program. She suggested they place a moratorium on the area so they could look at its effectiveness as to exactly how the board would move forward in giving their students the twenty-first century skills in the most cost effective manner.

Another area, which almost doubled was central office, where they went from $898,000 to approximately $1,700,000. She pointed out that when times were tough, they had to get rid of support services. They needed to begin reductions at the central office administrative level. She thought a previous speaker had made the recommendation.

President Leeson added that another area was for school resource officers, which actually had no prior expense, but presently had an actual expense of $311,00 in 2007-2008 and was budgeted for $262,000. She inquired if there were grants used in the past.

Mr. Majewski replied that they had the expense and it was part of another cabinet budget. They separated it so they could identify it for board purposes, as to how much was spent.

President Leeson commented that the central office figure probably was actually lower than in 2002-2003.

Dr. Lewis replied that it was not there. He commented that she was misrepresenting the facts and he addressed that she was not taking compounded raises over seven years into account.

President Leeson responded that he was absolutely right, but they were seeing huge differences in the areas. There was also a huge difference in staffing expenses, noting that there had been raises and healthcare expenses had increased. She pointed out that they were some areas where the increases were extraordinary. She added that debt service was another area where they had $9,943,000 in the past and presently had an actual amount of $17,000,000 in 2007-2008 and budgeting $23,591,000. They knew where some of it came from.

President Leeson stated that they were budgeting for new textbooks and asked for details.

Mrs. Katona said they were for middle school social studies and 11th and 12th grade English.

President Leeson inquired if they were presently piloting a program for the 11th and 12th grades.

Mrs. Katona responded with earth and environmental science and also noted that they would also need to get social studies textbooks for the high school because of a change in some of the sequencing.

President Leeson also questioned the reduction of students in the system and showing an increase in the charter schools. She asked if they were looking at reasons why the students were interested in another system.

Dr. Lewis replied that he did not have the answer. He thought there had been an influx from Bethlehem Catholic High School in their high schools and thought they had a shift. He noted some enrollment bubbles that had gone through the system, but he would need some time to compile it with Mr. Washington and the Child Accounting Department.

Director McKeon commented that there were some items that he disagreed with as to whether they should be included. He thought that, as a group, they should decide which items that should be pulled out and not considered as a proposed cut.

President Leeson stated that Director McKeon requested that the board pick out items that they could agree upon. She asked if there were any particular items for discussion.

Director McKeon addressed the $290,000 for Debt Service/Improved Market Conditions.

Mr. Majewski stated that as discussed earlier, they started at a much higher level and were coming down. He said the question he needed to ask was if they believed the cost of their outstanding principle at 5.2 percent was realistic. He believed that it was at the present time with the consideration of current market conditions. He believed that they were trying to move forward and look at restructuring their financing to further solidify it. He also saw a very strong commitment at the federal level to try to maintain stability within the credit markets, unlike they had before, which was a freefall and everything froze. He questioned if they should anticipate another freeze in the markets. He said that he hoped not, but if it happened, he thought it would be a very rapid response from the federal government to prevent it from being long lasting. His personal view was that he was comfortable with where they were at the present time.

Director McKeon asked if they were looking at the figure as a budget savings.

Mr. Majewski replied that it was a budget adjustment before they started.

Director McKeon stated that if he recalled correctly, the current average rate was about 6.2 percent for debt, which Scott was providing since the beginning of July.

Mr. Majewski responded that with extrapolation, it would be correct.

Director McKeon commented that he understood that it also could be on a decline.

Mr. Majewski said that interest rates were above 6 percent at one point, for a period of time. He added that he was probably annualizing it, however, with looking at where they currently were and extrapolated it out, it wouldn't be anywhere near 6 percent.

Director McKeon commented that it made sense after Mr. Majewski added clarity to it. He was looking at a projection of debt expense, based on last year, which was blown out of the water on an actual basis, and then to look at the current figure as a budget reduction, he thought it did not make any sense.

Dr. Lewis said that it was an adjustment because if they went back to the original roll out, it was $4,582,000 and Mr. Majewski had adjusted it down to $3,492,000, which was a composite of the $290,000 and the $800,000.

President Leeson questioned if anyone was uncomfortable with the cut.

Director Amato commented that he thought they were looking at a bottom line, adding that if they adopted the total adjusted savings to be almost $6,300,000; it was not a given and could go the other way.

President Leeson replied that it was currently in the budget proposal, which he had. The proposed budget already had it in Tier 1.

Dr. Lewis stated that they budgeted for a debt service increase of $3,500,000, as opposed to a debt service increase of $4,600,000. He said that what Mr. Majewski presently calculated was a lot different than it was one or two months ago when they came out with the proposed budget. They were actually paying at a lower rate and Mr. Majewski was still conservative in his estimates.

Mr. Majewski stated that he believed they should stay conservative. If they looked at the current rates as of this week and extrapolate it out. It would probably come in several hundred thousand lower than what was presently budgeted. However, he was not comfortable at that level and was taking into consideration that there would be some bumps along the road. Using the factors that he had, it was where he felt stability and adequacy of the budget.

Director Tenaglia referred to the detail of debt service and principle on page 29, and asked if the redemption of principles were all mandatory calls and therefore untouchable.

Mr. Majewski replied affirmatively.

Director Tenaglia inquired if there was any wiggle room in the category of "Other Professional Services."

Mr. Majewski responded that they renegotiated remarketing fees and brought it down from 12 to 8 basis points. He added that it was quite possible that it might be able to go lower.

Director Tenaglia asked if they would see a significant savings if they did the proposed refinancing on West Cornwall, because there would not be a remarketing fee on the new structure. He was aware of some up front fees, but there were not any ongoing fees.

Mr. Majewski noted that if they had some ability to renegotiate the fees, it could be brought down somewhat, but was not the largest component. It might be offset by potential increased costs elsewhere. He expressed that he would not want to lower it further at this point, even if they were able to renegotiate, because of the instability.

President Leeson polled the board as to whether they desired to keep Debt Service/Improved Market Conditions with savings of $1,100,000 in the budget for next year. She did not receive any opposition.

Director Follweiler addressed attrition regarding elementary positions and inquired if the retirement positions were estimated.

Mr. Washington replied that he received the papers.

Dr. Lewis added that the elementary positions were from reduced enrollment, which he thought President Lesson elaborated on earlier. He said they would be consolidated through attrition.

Director Follweiler also addressed the unused sick leave due to retirement.

Director McKeon asked for an explanation.

Mr. Majewski explained that the teachers' contracted payments were based on their unused sick leave. They had a higher number of retirees in prior years, which the budget was based upon. Even with the consideration of attrition, the numbers were lower than what they had, therefore, it was anticipated that they would need less money budgeted for payment of unused sick leave time.

Director McKeon asked if they were accruing "x" number of sick days per year/per employee and whatever was unused would become cumulative.

Dr. Lewis responded that it depended on years of service because each contract might be slightly different.

Director McKeon stated that they had already picked it up in prior years as part of their payroll expense.

Dr. Lewis said that they had an amount budgeted and Mr. Majewski noted that it was significantly higher than what was currently anticipated in terms of retirement.

Mr. Majewski added that it would be unused sick leave time. They did not accrue it because it was unlike vacation time. It was not committed. Depending upon the contract, there was a limit as to how much would be paid.

Director Koch inquired if the interventions had an impact on No Child Left Behind.

Dr. Lewis replied that it was relative to instructional intervention. He added that Mrs. Katona, Mrs. Cintrón and others were looking at ways to run more interventions from a grant level without supplanting. He thought it was the allowable amount agreed upon to reduce the general operating budget contribution and still receive grant money to apply to the interventions.

President Leeson commented that their academic interventions decreased since 2002-2003 and were approximately $164,000.

Dr. Lewis replied that she was correct, but what happened was that their interventions had gone up significantly because they now had TIP (Tutoring in Pennsylvania), which they did not have at that time. He asked Mrs. Cintrón if she had an idea regarding their total intervention money.

Mrs. Cintrón responded that it was approximately $1,000,000.

Dr. Lewis noted that they had actually had gone from $164,000 with no help, to $1,000,000 with a lot of help.

Director Tenaglia inquired about Building Allocation where it was noted that there was a 10 percent reserve, based upon the enrollment at the elementary level. He asked Mr. Majewski if he saw any ability to reduce the building allocations considering that they were looking at a total of almost $1,400,000.

Mr. Majewski stated it was for a per student allocation which was provided to each of the buildings and/or programs. He said there were various amounts for elementary, middle and high school students because of costs. The funds were provided for principals to use to manage their buildings. He said they were not committed to anything; however, the funds were used in their building to purchase replacement textbooks, calculators, chairs, and supplies. If it were cut, they would have to revise their budget, which would require them to finance from other areas. It would be possible but they would have to find ways to do with less.

Dr. Lewis commented that it was also an area, which they looked to recover. He noted that it was blank because they waited until they were closer to June and then they made a calculation.

President Leeson stated that they were cutting off the building allocation earlier. She believed that they restricted it as of October.

Dr. Lewis replied that they did not cut it off but it was monitored.

President Leeson questioned the actual expenses for building allocation for this year.

Mr. Majewski said that as of the end of February they were probably at approximately $979,000. He projected approximately $1,250,000 by year-end, because they continued to spend, as Dr. Lewis had indicated. He added that there was a monitoring process to ensure that there was no duplication or inventory build-up, however, anything needed to run the building was provided.

President Leeson asked to clarify that they were anticipating approximately $1,250,000 being spent with a budget of $1,428,000. Next year they were budgeting $1,375,000 with a reduction of $53,000.

Mr. Majewski stated that the reduction was due to a fewer number of students rather than a cut per student allocation. The unit cost remained the same; however, the number of students for which they budgeted going into the present year went down as compared to last year. In previous years, building principals had spent approximately 95 percent of their budget, because it was very difficult to be able to spend right on the dollar, which resulted in leftover money in the account.

Director McKeon requested details about the Driver Education Program.

Mr. Majewski replied that it was total elimination of the Driver Education Program.

Director McKeon asked if there were leased vehicles involved.

Mr. Majewski replied that they were budgeted here with one more year of payments. He inquired about a payment of $10,000 to pay off the existing financial obligation.

President Leeson questioned cutting $75,000 for the program, which would benefit the students, but were paying $10,000 for no benefit.

Dr. Lewis stated that they were paying off a lease. He commented that they were seeing a decline in subscription, which was the problem. He noted that they could pay $85,000 and service a handful of students or they could pay $10,000 and save the $75,000.

President Leeson asked why there was a reduction in the program.

Dr. Lewis responded that the students did not want to participate in that delivery.

President Leeson disagreed, stating the students would love to get instruction on the road.

Dr. Lewis replied that he was not saying that they did not want on the road instruction, but the principals told them that the students were not participating in the Intermediate Unit program.

President Leeson inquired if the students were being informed or scheduled.

Dr. Lewis replied that he could not answer the question and concluded that he just did not know the reasoning. He said it was not a required program.

President Leeson asked if the district paid the Intermediate Unit on a per student basis.

Mr. Majewski replied that they paid $265 per student. He said they paid for any of their students that received the services and it was actually limited only by the number of teachers providing services to the students.

President Leeson asked if they could provide details about the actual cost of the Driver Education Program for the next meeting. She believed that the student paid $50 towards the $265 and the district also was reimbursed from the state.

Mr. Majewski commented that the district charged the fee of $50 and the state paid approximately $30 per student, which was always delayed for one year. He explained that it was the reason why they still received a Driver Education subsidy even though they did not have the program.

Director Follweiler stated that it was brought up at last year's budget hearing and the subscription was down last year but she did not recall if they received the data. She inquired about how many students signed up for the program and how many were eligible. She said that she wanted to see the numbers because they needed to see what the program actually cost.

Dr. Lewis replied that they would obtain the information. He added that the district also paid for Bethlehem Catholic High School and Notre Dame High School students. He noted that Mr. Majewski informed him that the principals were relaying that the district's numbers were down, but others might be increased. He inquired with Mr. Majewski if the cost was approximately $40,000 per semester.

Mr. Majewski replied that $40,000 was correct. He clarified that since they were halfway through the year. The information he had was what was submitted for last year's subsidy, which was detailed by school. He did not have the information from the current year, which would be provided by the Intermediate Unit.

Director McKeon requested reports from previous years for trend analysis.
President Leeson noted that in 2002-2003, the Driver Education Program budget was $53,696 and she believed they had cars. They spent $98,000 in 2007-2008. She asked why the costs were so much higher and the cars were being leased. She reflected that every junior previously received driver's training along with on the road training at both high schools, yet the costs were much lower.

Mr. Majewski explained that they moved in the direction of the Intermediate Unit Program because they did a cost analysis, which was provided to the board. He stated that they had several Driver Education teachers and presently had one teacher, which was a huge cost savings. He added the cost of maintenance and leasing of the vehicles, but in comparison, they were paying approximately $200,000 less than what it cost them at the time they were running the program.

President Leeson commented that she thought it was the opposite.

Dr. Lewis stated that she was looking at a single category, as opposed to the four salaries that were not reflected but were reflected in the teacher listing. He explained that the actual expenses had to be compared. He added that there was approximately $200,000 in salaries when they had four teachers in Driver Education. He thought Mr. Majewski's point was that they brought back a more economical solution, but now they were looking at elimination because it was nonmandated.

Director Amato questioned if the $1,000,000 reduction in transportation was relative to privatization.

Dr. Lewis replied that it could be privatization or contributions/reductions from the current program. He gave the example of transporting from a wide radius and limiting the runs. If they did not do activity runs and collapsed all runs associated with any external activity other than to and from school. There could be driver concessions, giving the drivers an opportunity to respond. He said there were a variety of ways to get to that number.

Director Amato replied that he did not know how they would do it and would need to be shown figures. He referred to post-season athletic travel and asked the students would travel to Hershey if they qualified for state competition. Director Amato expressed that he was not for cutting anything, especially extracurricular activities, but if they were going to do it for cheerleading and football, then they should do it for all club activities. He requested data on how they would make a $1,000,000 cut in transportation. He asked why they were cutting the athletic and intramural budget by $150,000. They were tearing apart what made the district good. He stated that they should start to look at other cuts in club activities that were not mandated.

Director Tenaglia agreed with Director Amato regarding the request for additional information. He thought the administration agreed to supply information.

Dr. Lewis responded that he wanted to supply them with the RFP along with the calculations that Mr. Gilliland and Mr. Majewski used in arriving at that number.

Director McKeon said that the fleet insurance was also tied into it.

President Leeson addressed Dr. Lewis about the interscholastic athletic cuts, in particular, the intramural cuts.

Dr. Lewis replied that he believed it was the high school weight room expenditures.

Dr. Donaher said it would delineate all high school intramural hours and also the feeling was that the title schools could use monies from ASPIRE to cover programs that were covered by intramurals. They would reduce the number of hours to compensate also at the schools that were receiving funding for intramurals. They also took the four middle school intramural supervisor salaries out of intramurals and placed them into the athletic budget, which was why there was a dramatic drop.

Director Amato inquired about the post-season athletic travel.

Dr. Donaher replied that they were trying to more accurately reflect necessary travel.

Dr. Lewis thought it was an adjustment that Mr. Harris discussed with Mr. Gilliland and that there was too much money set aside.

Mr. Gilliland responded that Dr. Lewis was correct. When they were budgeting for athletic activities such as away matches and meets, a specific figure was used. As Dr. Lewis indicated, Mr. Harris and Mr. Senneca looked at the history and revised the number. It was his understanding in speaking with them, that they were not eliminating anything, but they wanted to get it down to a more realistic number.

Director Amato's concern was if a band member or athlete needed to go to regional competition, they would be transported to the next event.

Mr. Gilliland explained that they reviewed data of proposed trip costs and compared it to actual costs and then made revisions for the upcoming budget.

Director Amato asked what would happen if two teams suddenly had a great year and moved on to district, regional, and state levels, but there was not money remaining in the budget.

Dr. Lewis responded that they never exceeded the overage in their history. They had some wiggle room.

President Leeson asked why they were having difficulties with meeting the budget when they were finding areas which were historically underspent.

Dr. Lewis replied that the obvious answer was that they were not overbudgeted in enough categories to cover the overruns, such as special education, utilities and fuel.

President Leeson was concerned that it was not a real savings in the budget.

Dr. Lewis explained that they were more realistically budgeting items that they could absolutely pin down. He did not know if special education would decrease or increase or what oil or electricity would cost. They had to make their best estimates.

Director Tenaglia addressed page 102 – Recompute Percentage Increases. He also for a brief explanation regarding the social security subsidies and revenue.

Mr. Majewski replied that some of the majority of the explanation of one item would very likely come from Dr. Donaher, but he could state that they paid towards FICA and retirement from the Commonwealth so it was a common subsidy.

Director Tenaglia replied that his percentages did not make sense with a 100 percent increase.

Mr. Majewski noted a social security contribution of $81,309 and the revenue portion was $40,654.

Director Tenaglia reviewed that if went from $33,600 to $40,654. It was an increase of 6,937. He did not think it was a hundred percent increase.

Mr. Majewski corrected that the $40,654 was to be multiplied by two, which would total $81,308. He referred to the expenditure budget on page 103 for the 2009-2010 budget and pointed out $81,309 in social security contributions. The subsidy portion on the revenue side was 50 percent of that figure.

Director Tenaglia readdressed the listed percentage rate of 100 percent.

Mr. Majewski recognized that a correction was needed.

Director Dexter inquired about the line-by-line athletic budget that she requested.

Dr. Donaher agreed to deliver the information in hard copy and email.

President Leeson addressed the attendance service monitors and officers.

Dr. Lewis explained that they reduced one officer and brought in two monitors at a lower rate. Historically, there were two attendance officers with one covering the elementary and the other covered secondary schools. He noted that one monitor had been cut and if the position were to be removed, it would be a total of one monitor and one officer.

President Leeson expressed that she would personally like the category to go "green." It was something that would be wonderful to have, but she thought they would have to depend on the assistant principals and principals.

Director Amato noted that it was President Leeson's recommendation.

Dr. Lewis said that he would ask for the will of the board.

President Leeson added that they would be probably asking the assistant principals to pick up the job of checking attendance and issuing citations. She asked the other board members for their opinion regarding the matter.

Mr. Majewski stated that there was a limited amount of people who could advance in front of the district magistrate regarding truancy. He was certain that principals were not one of them.

Dr. Lewis interjected that the law might have changed and they would have to check on it.

Mr. Gilliland stated that it was related to a non-traffic citation.

Dr. Lewis expressed that they needed to identify those people for the course. They would inquire about the limits or exclusions.

President Leeson polled the board as to the elimination of the attendance officer position to reflect a savings of $71,000.

Director McKeon recommended Plan "B" and suggested obtaining more information and then make a decision.

Director Haytmanek asked what administration thought about the potential dumping of a lot more work on the principals.

Dr. Lewis replied that they were not recommending it, but as he noted in the memorandum, the board deserved the right to move something tier to tier.

President Leeson said that if they wanted to lower the tax increase, they would need to go to page 2 and 3. She thought every board member had to decide what was comfortable for them.

After polling the board, President Leeson concluded that the majority was in agreement to obtain more information.

Mr. Washington commented that he thought they needed to rethink the recommendation. By asking assistant principals to be in court and away from the building, they would be hearing complaints about the Code of Conduct not being enforced. He also thought they might have a problem with the ability of assistant principals to issue a citation.

President Leeson asked if they could obtain information on how many students from each school were cited and actually went to court.

Director McKeon explained that it was part of the discussion because the line items periodically came up and some felt that there was not enough information initially shared. He added that although it was not done deliberately, it didn't allow them to make a decision. He thought Mr. Washington raised some interesting points and suggested that they had the information provided for the case.

Dr. Lewis replied that they provided a paragraph for every item, which was in the initial mailing. He recalled that Mr. Washington and Dr. Donaher wrote the piece on attendance officers and monitors and it was noted that assistant principals would be required to pick up the load. He agreed to provide additional information as to how many people were cited with the current staffing. They would also review the law. He agreed with Mr. Washington in that it would have an impact with people doing more with less time.

Director McKeon thought that the "pay to play" recommendation should be struck from Tier 2.

President Leeson asked for comments from other board members.

Director Follweiler stated that she did not know how any of them could have an opinion, because they were all acting on supposition and conjectures. They still did not know what school groups pay a participation fee. They did not know if it was adding the athletic program to something that the band was already doing or if it was centered only on athletic programs and not other clubs. She commented that there was still so much more information that they did not have on the subject.

Dr. Lewis shared that Dr. Donaher met today with more people and was compiling a thorough report. He agreed with Director Follweiler about the need for more information. He added that administration was not recommending it, but thought if the board had some comparative points to make, further noting Director Dexter's article; they needed to look at the total picture and then make a decision.

President Leeson thought Director McKeon's was questioning if it was worth going into the effort because they might not have the support to look at it.

Director Dexter expressed that she and Director Cann wanted to look at it.

Director Haytmanek said that it would be so unpopular. With the consideration of the total amount at stake being $75,000; he did not want to waste Dr. Donaher's time.

Director Tenaglia stated that the thought they had already requested more information from administration and were awaiting receipt. He was still interested in receiving the information.

Director Koch said that she did not support the “pay to play” proposal.

President Leeson stated that she also did not support the proposal.

Director Amato cast the fifth “no.”

President Leeson announced that the majority of the board did not support the proposal.

President Leeson addressed the reduction in general duty aides and asked for more detail regarding the five full time equivalent positions.

Mr. Washington explained they were 3-hour classroom aides who worked in the cafeterias and during recess at the elementary schools.

Dr. Lewis stated there was a total of eight FTEs, which were sixteen half-day general duty aides. It would be the addition of the balance of the aides.

President Leeson inquired about the positions which would be cut in the first round of three FTEs.

Dr. Lewis replied that they were spread out over the schools that already had three or four aides.

Director Koch said that she recalled that aides were assigned in the past to schools to communicate with parents regarding involvement with the schools. She thought that it was very successful and asked if they were the people that were being removed.

Dr. Lewis stated that it was before his appointment and further inquired with the principal of Donegan Elementary, Ms. Quigney.

Ms. Quigney commented that her aides were scheduled from 10:30 a.m. until 1:30 p.m.

Dr. Lewis said they were strictly lunch hour aides.

Director Dexter asked who would supervise the students during lunch if the aides were cut.

Mr. Washington replied that there would be a reduction and they would have to look at how they would stretch the remaining aides. He said they were not recommending it, but it was an area they looked at, so they would be asking fewer aides to do more and noted that it would be a struggle for some schools.

Director Tenaglia asked to clarify that they were recommending the reduction of the three FTEs, but were not recommending the additional five FTE reductions.

Mr. Washington replied that he was correct.

Director Dexter inquired about the perceived impact on student safety if they made the reductions.

Mrs. Katona and Mr. Washington both replied that it was a big concern.

President Leeson asked if the reduction was limited to the elementary school.

Dr. Lewis replied affirmatively.

Director Follweiler addressed that the Community Service Program was budgeted for $75,000, as was the “pay to play” and the attendance officer services which were in Tier 2. She found it to be ironic that they were paying for positions to control volunteer work and that they couldn’t have volunteers run the program.

Director Dexter stated that she was ready to see the Community Service Program on Tier 2.

President Leeson addressed the other board members, asking if they wanted the Community Service Program moved to Tier 2. She pointed out that at this point, it was not in the cuts.

Director Tenaglia thought that administration had already agreed to move all nonmandated programs to one of the three tiers.

Dr. Lewis agreed with Director Dexter that it would be red, yellow, or green.

Director Tenaglia stated that he did not think they were choosing the color, but they were asking administration to classify them.

President Leeson asked that the administration move them and then allow the board to make their decision.

President Leeson inquired about the additional behavior component at RASA referred to as Pathways.

Dr. Lewis replied that it was listed as a recommended adjustment.

President Leeson addressed the Welcome Classrooms and stated they had discussed a reduction to one program at Donegan, a K through 2 and a 3, 4, and 5; to reduce it back and to perhaps have some cost savings where the impact would probably be the highest.

Mr. Washington stated there was a scheduled meeting and they would be bringing forth a proposal they thought would work.

Director Dexter brought attention to the structure of the Apple leases for $180,000 and noted that in order to get the savings, they had to commit to spending additional sums and buy new leases. She remembered that the sum was for purchasing new computers for teachers and did not think it was the year to vote on a budget which had new computers for every teacher. She also brought attention to additional nonmandated items and questioned the additional interior purchases including LCD televisions and equipment for the new Broughal Middle School.

Dr. Lewis replied that the items were not in the general operating budget.

Director Dexter debated the issue, stating that she thought differently. She stated that they did not have enough money in their reserve account to complete all of the construction projects on the books. They were told for two years and maybe more, that they would have to borrow additional funds. If they cut from some of the expenditures, it would reduce the amount the district would have to borrow and the debt service they would incur. She said there would be a budget impact. They were in a very frugal year and tight economic times and it was her view that it was not the time to say, “The dreams that we had three years ago, when we envisioned Broughal, must come true this year.” She thought they might need to defer furnishings or programming that they once thought would be wonderful. She was not saying that they could not have something but they needed to look at it.

Dr. Lewis commented that if they could borrow less or significantly reduce it through using the state’s stabilization money, which was presently estimated to be $5,700,000. He did not know how much of the amount would come through.

Director Dexter replied that she was told that they needed to borrow even more that that amount in order to finish the projects such as demolish Northeast and Broughal Middle Schools, and restore the fields. She pointed out that they had a lot on the table and although the monies might be in different accounts, their duty was to still have a frugal approach.

Dr. Lewis stated that the state stabilization money could not be used for the demolition of Northeast or Broughal Middle Schools. Any project on the books was disqualified, as was explained when they were in Harrisburg.

Director Dexter said that she would need to know more about how “what is on the books” was defined.

Dr. Lewis explained that “what is on the books” was what the board passed, committed to, or what went through PlanCon.

Director Dexter said that they needed to further discuss it. She added that she was not prepared to launch a new technology program, open up a television production studio, or furnish anything at a time when they were looking at an austerely budget.

Dr. Lewis commented that he communicated with Apple Computers last week and informed them that it was not good enough. He added that Mr. Arbushites accompanied him at the meeting with the national manager, in addition to the local and finance representatives. He said that they would need to decide to pay $1,300,000 for continued obsolete equipment.

Director Dexter stated that it could vary on how they decided what was obsolete equipment.

Dr. Lewis replied that he would define it as six and seven-year-old equipment.

Director Dexter said that she had seen some newer than that.

Dr. Lewis debated that it was not the case in this particular deal. He concluded that he would get her the information.

President Leeson brought attention to the grant funds for the SPARK Program.

Dr. Lewis stated that he discussed the situation with Mrs. Cintrón and he noted that they were just under one million dollars in grant support for a $2,100,000 program.

Mrs. Cintrón explained that they had $945,622 in state grants. She feared they would have a supplanting issue if it were decided that they would not fund any SPARK Program expenses out of the general operating budget. She said that it might mean that they would have to give back the funding.

Director Amato asked Mrs. Cintrón to verify it with the Department of Education.

Director Dexter asked for further explanation with regard to supplanting.

Mrs. Cintrón explained that supplanting involved accepting federal or state funds in order to enhance or expand an existing program; they could not eliminate the portion, which the district paid and just allow the federal funds to take over the project. The funds were meant to supplement and not supplant or take over the program.

President Leeson commented that they expanded the SPARK Program over the last few years from a four-year-old program to the addition of a three-year-old program. She thought they might need to look at reducing the program back to a four-year-old program to contain some of the costs. She knew some of the grants were targeted for the three-year-old program.

Dr. Lewis responded that they would look at it, but noted that the expansions were all tied to the grants.

Mrs. Cintrón stated that they only had forty children in the three-year-old program at a time with the remaining children enrolled in the four-year-old program.

Director Amato inquired if the federal contribution based upon the school district's present expenditures. He asked if the $945,622 received was based upon their spending $2,000,000 or could they spend $250,000 and still receive close to a million in grant dollars.

Mrs. Cintrón replied that it was her opinion that it would be still viewed as supplanting because the program was district operated before they applied for the grant money.

Director Amato suggested that they could keep it as an existing program but reduce it.

Mrs. Cintrón commented that it was a fine line. She didn't believe they would still receive the same amount of funding.

Dr. Lewis expressed that they would obtain a definitive opinion.

President Leeson noted that there were a number of nonmandated items that they did not add to the list. She commented that they listed information technology software professional development and infrastructure, but they did not have information technology, which was actually a nonmandated program. She added that she was not saying that she wanted to cut it, but pointed out that they were not listing all of the nonmandated programs.

Dr. Lewis agreed and brought attention to an earlier comment that they were spending $500,000 on IT six or seven years ago, but they had 10-year-old computers at that time. The district was not near the national average, which was a minimum of three percent of the budget committed to the technology effort. He thought it would be ten steps backward in terms of the delivery of education if they shut down technology.

President Leeson reviewed that her point was that there were nonmandated items that were not listed.

Director Amato stated that extracurricular activities were not listed.

President Leeson said that as she previously mentioned, the expansion of central administration was also a nonmandated item, which was not listed and was an area of potential cuts. She added that conferences and travel and recalled that she previously asked for information.

Dr. Lewis commented that the only remaining travel was interdistrict travel by contract, at the IRS rate.

Mr. Majewski stated there was an allocation in the Instructional Meet and Discuss agreement which was included in the budget because if was part of the approved agreement.

Dr. Lewis added that essentially, conferences were out.

President Leeson stated that there was $1,000 for board conferences and $6,000 for the Assistant Superintendent for Curriculum and Instruction.

Dr. Lewis said there were some minimal travel expenses with the board.

President Leeson brought attention to a building allocation of $10,735 for conferences and travel.

Mr. Majewski said that building allocation was probably moved into another category.

President Leeson stated that it was nonmandated.

Dr. Lewis said that the travel was predicated on the interdistrict travel.

Mr. Majewski commented that it could be combined conferences or interdistrict travel.

Director Amato reviewed that administration was asked to take the list and place the items on Tier 1, 2, or 3. He suggested that the board members note any additional nonmandated items for consideration and get it to administration so they could place them on Tier 1, 2, or 3.

Director McKeon stated that he was approached during the break with a question about the bus driver FTEs.

Mr. Majewski stated that he did not believe they had the FTEs in the budget document for many years.

Director Follweiler asked if there were other categories that did not have documentation as well regarding FTEs.

Mr. Majewski stated that there was a time in the 90s when they had FTEs for bus drivers, but it was not there for over a decade.

Director Follweiler commented that she found it odd because they listed the bus monitors and SPARK instructors and assistants. She asked if RASA and Career Academy were included with the remaining teachers and not separated.

Mr. Majewski replied that they should be included with the rest of the teachers.

Mr. Washington stated that he could add them.

Mr. Majewski stated that the format was developed through discussions with the board years ago. He said that it could be brought back on without any problem.

Director Follweiler again inquired about other positions besides the bus drivers that might not be listed.

President Leeson asked Mr. Majewski to review the document to see if there were any other missing positions.

Mr. Majewski replied that he would defer to Mr. Washington.

President Leeson recognized Mr. Del Vecchio from the floor.

Mr. Del Vecchio stated that it was listed in 2009-2010 as one full-time bus driver. He knew it was not up to date because the bus driver, Judy, had retired.

President Leeson recommended discussion with Mr. Washington to clear it up for the next meeting.

President Leeson reviewed the aforementioned points of discussion:

- Investigate the possibility of SPARK being solely budgeted by grants
- Research similar school districts with regard to student academic achievement without preschool services
- Seek information on the SPARK Program in later years with regard to student progress
- The nonmandated items moved to either Tier 1, 2 , or 3.
- Identify "PIAA sanctioned athletics only"
- True cost of Driver Education – student eligibility and overall usage
- Explanation of $1,120,000 transportation cut
- Expanded version of athletic budget
- Court appearances – information relative to attendance officers, and the number of students and schools receiving services
- Technology moved to the nonmandated list
- Research the request for Broughal Middle School furnishings
- More information regarding Welcome Classrooms

After some discussion, it was agreed that the next budget hearing would be held on March 11 at 6:00 p.m.

Director Dexter commented that Jens Damgaard contacted her and had planned to attend a meeting on March 2. She understood that because the bonds were sold, they would not need a meeting. She stated that Mr. Damgaard felt that he still needed direction from the board and contacted her by email expressing that if they wanted to reconstitute the Bethlehem Authority, it was his opinion that they could do so by appointing the same members that were recently appointed to the Vo-Tech. Director Dexter added that Mr. Damgaard did not see any problems, conflicts, or otherwise because there would be no leases or property interests in the name of the school district authority. It was communicated to Attorney Spry's office and they were looking at it. She asked that if Attorney Spry agreed that there would be no conflict of interest, did they want to request the same people to serve on both authorities. She also expressed that Mr. Damgaard inquired about the timing, because if they were going ahead with the Wachovia note, he believed he could reconstitute the authority, if they had agreeable members, he would have the paperwork ready for the meeting in March, if so desired.

Dr. Lewis requested a poll of the board. He said that there was no harm in creating the authority and recommended doing it.

President Leeson commented that she believed the other night, they set the direction that they wanted it put on the website.

Dr. Lewis stated that in light of the information provided by Director Dexter, he wanted to speak with them because he promised three meetings and wanted to be up front with them.

President Leeson thought the direction was given by the board that they wanted to set up the authority.

Dr. Lewis asked if they wanted an extradited authority if possible.

Director Dexter said that she wanted the authority created as soon as it was convenient because she saw no harm in having it ready to go. She added that she did not understand about the urgency regarding the Wachovia note. They would have the paperwork to reconstitute the authority, appoint members, and then do the Wachovia note on the same night.

Mr. Majewski said that Wachovia had been very patient with staying with the district. He noted that many were asking for the same consideration.

Dr. Lewis inquired if they could ask Mr. Damgaard tomorrow if there was a timeline and if so, he asked if the board would agree to expedite it.

President Leeson stated that she believed the direction was already made regarding the authority and the question was about the members. She asked if any board members objected to the use of the Bethlehem Area Vo-Tech members for the authority.

Director Tenaglia asked for clarification, stating that the Wachovia note was to refund West Cornwall. The proposal of the discussion that initiated the reconstitution of the Bethlehem Area School District Authority was predicated on the need for resolution of the Shippensburg Bank Bond status. He knew that in recent discussion with Mr. Shearer, there was a linkage in that Wachovia would possibly consider redoing the financing portion of the authority should it be necessary with Shippensburg. At the present time, the immediacy of creating the authority had been somewhat mitigated by the removal from bank bond status on Shippensburg. He saw no problem with having the authority in place because they might be able to utilize it in some other fashion and to help them with the larger problem of the variable rate debt.

Mr. Majewski pointed out that they still had the fixed-rate issue with regard to the entire West Cornwall issue. In addition, they were still continuing discussion with Wells Fargo/Wachovia about providing another form of refinancing.

Director Tenaglia wanted to be clear on the refinancing of the West Cornwall through a fixed rate loan was not dependent upon the authority.

Dr. Lewis inquired if Mr. Damgaard knew that everything was out.

Director Dexter replied that he was aware and that he spoke with Scott Shearer today.

Mr. Majewski stated that he and Dr. Lewis would have a conference call to dialogue with Mr. Damgaard and Mr. Shearer.

OPEN FORUM

Director Follweiler stated that she attended the mock trial series at the Northampton County Courthouse and announced that Liberty High School moved on from the semi-finals into the finals, which would be held tomorrow at 5:00 p.m. in Courtroom 5 at the courthouse. She added that earlier in the competition she acted as a juror for other schools and noted that it was very fun and exciting.

COURTESY OF THE FLOOR TO VISITORS

The following individuals addressed the Board of School Directors:

1. Mr. John Del Vecchio – 2061 Tenth Street, Bethlehem –
   Mr. Del Vecchio addressed the information stated earlier which stated that the charter school enrollment was up. He thought that one of the reasons was that the kindergarten program at the school was a full day program. He stated there were a lot of district students in the program because he knew how many rode the bus. He added that another comment was made that if SPARK was eliminated; there would be no place for the children.

Mr. Del Vecchio suggested the YMCA Program where he personally paid for his children to attend. He also suggested St. Stephen's Preschool Program and the Sayre Preschool Program. He recalled someone stating earlier about how SPARK taught the children how to hold pencils and write but he knew they also did that at the other preschools. Another subject he addressed was that people were not selling their homes, which was why the budget was underfunded. He addressed other programs in the curriculum, and commented that when he went to school, he never rode a school bus or went on field trips. He said that he was aware of a program in the district where all the 5th graders in the schools were transported to the skating rink to learn how to ice skate. Mr. Del Vecchio concluded that it was another area that was costing the district money.

2. Diane Condomitti, 2112 Johnston Drive, Bethlehem –
   Mrs. Condomitti stated that custodial service was not state mandated and it was not mentioned that it could possibly be contracted out. She pointed out that the SPARK Program also needed transportation and it was not included in the budget, in addition to the other programs where the children used busing. She concluded that when they looked at the cost of a program, they still had to include the transportation costs involved to run the program.

The meeting was adjourned at 10:01 p.m.

Attest,

Stanley J. Majewski, Jr.
Board Secretary

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