

BETHLEHEM AREA SCHOOL DISTRICT
BOARD OF SCHOOL DIRECTORS
BUDGET HEARING

MAY 27, 2009

A Regular Meeting of the Board of School Directors of the Bethlehem Area School District was held on Monday, May 27, 2009, at 5:15 p.m. in the Dining Room of the Education Center, 1516 Sycamore Street, Bethlehem, Pennsylvania.

REGULAR
MEETING

The Board Secretary called the roll:

Members present: Directors Amato, Cann, Dexter (left at 6:53 pm), Follweiler, Haytmanek (arrived at 6:00 pm), Koch, Leeson, McKeon, and Tenaglia – 9

Members absent: – 0

MEMBERS
PRESENT

Others present: Dr. Joseph Lewis, Superintendent of Schools (left at 6:53 pm); Donald F. Spry II, Solicitor; Stanley J. Majewski, Jr., Board Secretary; administrators, members of the press, and other interested citizens and staff members.

OTHERS
PRESENT

President Leeson opened the meeting by welcoming all in attendance. She commented that if one looks at where they started and where they are now they certainly have made huge strides in the budget. She noted that they started at a tax rate of 15.39 and did not even cover everything. They are now down to a tax rate of 5.01, still keeping in place all of the district's programs. She commented that although everyone is feeling a bit of the pinch, she thinks that the administration has done a very good job of trying to find areas to cut and to stay within the guidelines that the board has been directing. She noted that this is a perspective of how far they have come within the last couple of months. She continued that they have passed a preliminary budget but she knows that there are still questions from the board. She stated that they need to come to terms with the budget that most of them are ready to vote on by the end of June. She stated that this has been a very difficult budget and it is a difficult budget process but tonight they need to try to identify any areas of concerns of board members of passing the budget June 30th. She noted that they had a meeting with some of the legislators last night at the Northampton County legislative meeting. She reported that Dr. Lewis, Director Dexter and she attended. She stated that it is very clear, first of all, that the moneys that they are hearing they are going to get, or that they originally heard, will probably not be realized. She stated that how much of that is what is in question. Will the district get 50%, 75% or very little is what is very much in question right now. She noted that the legislators do not anticipate that they will have a budget by the end of June and the district will have to pass the budget without knowing those numbers. She thought that everyone needs to know that although they have protected a number of programs, if the district does not get money from the state, those programs will be in jeopardy. She remarked that unfortunately there is no other way around it. She stated that she thinks the board members are committed to try to keep them and will keep them in the district can get the money from the state. She noted that this is the

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stimulus money. She recalled that last night they heard that all stimulus money would go to PSERS and would not be going to individual districts. She stated that there are some strange ideas, some different ideas out there right now.

Dr. Lewis commented that President Leeson captured what the discussion was. He noted that the stabilization portion of the stimulus money was what she was eluding to, which is those dollars that the Senate bill 850 has reportedly plowed into the basic ed formula at the expense of the Governor's proposed \$317 million infusion and that bill has little chance of surviving. He continued that it will cause compromise to take place. He added that he thinks that they heard last night that the legislature is all over the block over this. He noted that there were Republicans and Democrats alike there. He commented that the PSERS suggestion is illegal in terms of ... He stated that one of them countered that later after that representative left because it is not in line with the notion of maintaining jobs or creating jobs or not losing jobs. He stated that what Director Leeson and he discussed that morning was that they have a budget to get out and that Mr. Majewski needs to get his tax bills out. He noted that they have a TRAN coming to the board, a sort of a relief borrowing if you will, that will bridge the gap until state monies flow or tax revenues come into the district. Dr. Lewis stated that he spoke with Mr. Majewski that afternoon as they were preparing for that evening and he is confident that they can bridge this without a problem. He continued that the issue will come down to the budget the board passes may not be the expenditure side that they live with. He continued that the revenue side, if this is where the board's tolerance level is they understand that and work toward that. He noted that Mr. Majewski's projections have always been in the past solid and he thinks they are going to be solid now. He continued that they can only estimate what the state contribution will be. He stated that they can still tweak the expenditure side if they want to create more contingency that can be done. He noted that it is their recommendation that the board move forward with this 5% increase, 1.98 mil increase. He continued that the public needs to recognize the fact that when the state budget passes in August or late September at that point the board, the school district, may need to retreat because the only side they can manage then is the expenditure side. He commented that they are not going to save this by a staff member here or paper and pencil over here or a computer over here, you are going to save it with a \$1million or better cut and that means programs. He noted that is unfortunate but that is the reality. He continued with an interesting comment by a legislator last night. We don't have the political will, state legislature and he hopes the reporters are listening carefully, we don't have the political will to raise taxes. That message to this board was "you raise taxes". He stated that if programs get cut, it is responsibility of the state, not this board, not this district, not this administration because they did not live up to their commitment to public education.

Dr. Lewis directed the board to several documents. He noted the documents as a May 5 draft that still has some minor tweaks, Mr. Washington's new staffing exhibits that the board requested, Dr. Lewis' memorandum on May 26 that the board should have received for their review. He noted that this document takes every single item and pinpoints where those reductions are.

He continued by pointing out a new item that Mr. Majewski worked on at his request which is the budget cut impacts because the board stated that they would like to know more about where the impacts are. He noted that it is about as complete as they can get it. He suggested that there may be some questions and noted that his entire cabinet, central administration and principals are in attendance. He continued by pointing out that they have a two-sided document with all clubs and activities at Liberty High School and Freedom High School. He stated that they have made an internal adjustment within the budget to fund clubs and activities. He noted that they also agree that they are important to keep kids involved. He stated that it is to the tune of \$30,000 per high school. He stated that the principals are working on what clubs will not be supported. He noted that he and Mrs. Katona have had conversations on how they build some type of review process because he has some issue with some of the clubs. He stated that if these clubs are not fully subscribed, they should come off the list. He indicated that there may be a \$6,000 - \$10,000 reduction in that area. He noted that removal from the list does not mean that clubs cannot take place but will need to be sourced in a different way. He further noted that they have adjusted from 20 to 30 internally after reviewing this list and recognizing that most of them are meaningful. He stated that they will also do an audit on these clubs. He continued that they want to know how many times they meet, how many kids are enrolled, what is the purpose or mission of the club and their validity.

Dr. Lewis stated that the purpose of the meeting is to answer any questions they might have about cuts and impacts and also then to talk about where they tweak on the expenditure side which in essence would create a larger contingency at this moment. He noted that at present they are at \$1.7 million in contingency. He stated that worst case scenario, 850 were to pass as is. He stated that he is doubtful but as a worst case scenario they can anticipate a \$5.4 million loss to the district which eats up that \$1.7 million and creates a \$3.4 million deficit. He pointed to the red items that would help make up for that in the event the board had to cut programs. He noted that no one wants to do that, not the board, not the administration. He continued that if some margin of that state costing out money is put back into the basic ed subsidy, then of course that erodes that \$3.4 million shortfall. He stated that although no one knows what the funds will be, it does not preclude the board from passing a budget, issuing tax bills, starting the revenue stream, and then making an adjustment on the expenditure side down the line. He stated that hopefully no adjustment will be necessary.

Dr. Lewis opened the meeting up to questions on particular items or issues.

Director Amato stated that they are looking at the worst case scenario. He indicated that if the stimulus money does not come to the school district favorably, there are going to be programs that will be in jeopardy. He asked if Dr. Lewis is stating that the programs in jeopardy are these programs. He suggested that before they go tweaking and talking about why they cut this or that and if they need to put that back in the budget, they have a big question mark out there. He stated that he does not think they can talk about that because these programs if they get minimum or no stimulus money

from the state, the district is \$3.4 million in the hole. He said that they need to put that on the table right now because even if they start school next year these programs will have to cease and they will have to get rid of them.

Dr. Lewis suggested that the board review the red list. Director Amato confirmed that they need \$3.4 million. Dr. Lewis indicated that the big programs are RASA, Career Academy and SPARK. He calculated the total of the three to be \$3 million.

President Leeson estimated \$4.275 million for all items in red.

Dr. Lewis clarified that there is \$4+ million there and that they could save \$600,000 of that if the worst case scenario existed. He stated again that he does not believe that it is going to exist because the House is going to buck up and the Governor's office is going to buck up and there is going to be a standoff. He indicated that this was stated at the meeting last night. Dr. Lewis recalled that in 2003 they did not have a budget until November, towards Thanksgiving.

Director Amato asked that if they don't have a budget going into the school year and they are still in Harrisburg battling on this thing and it gets into the first month the district can't fund this because we don't have monies to pay for it. Dr. Lewis explained by example – if they go a month and there are 10 months in the school year and the expenditures are not taken over the 12 month fiscal year would be 9/10ths. You would have 9/10ths of that amount available to reduce. He continued that the longer they go without a budget the more the board may need to go into other areas that they have not tapped. He noted that he hopes that they will see something by the end of the summer.

President Leeson commented that they can put their tax bills out and begin to collect the local taxes and that money can be used to fund the district. She clarified that they are not dependant on the state to give them money immediately but they will at one point around March or so be looking desperately at these funds. She pointed out that the state funds are approximately 25% of the district's budget.

The dollar total of the items on the red list was discussed. Another board member indicated that he calculated \$4.4 million.

Dr. Lewis asked if Mr. Majewski could explain how he has calculated how the district can operate. He noted that Mr. Majewski has talked about the TRAN money and if that is delayed and payoff the month because they anticipate paying it off as they did last year sometime early September and how that would bridge it.

President Leeson commented that none of these programs is the board looking to cut. She reiterated that they do not but that the board is committed to keeping these programs. She said that the only way they would be cut is if the district does not get funds from the state. The members and administration confirmed her statement.

Director Koch asked if it would be possible to approve these programs up to a certain date with the understanding that if the district does not get the money from the state they would not be continued. Dr. Lewis stated that they could do that but they don't have to. He continued that if they do get that news, they can discontinue them at a point. Director Koch confirmed that they can discontinue them at any time. Dr. Lewis answered yes by board vote because they are not mandated and there is no timeline requirement. He continued that there would be a checkerboarding with staff that have been with the district who have certificates. He continued that Mr. Washington would have to work with the union and checkerboard. Director Koch stated that she would like to see them go as long as they can. Dr. Lewis replied that is what they are going to try and count on. He continued that if the hit is X they need to determine how long can it run before it has to be dismantled.

Mr. Majewski reported that they are looking at two separate issues when talking about the budget. One is the cash flow and the district's liquidity. He continued that this is separate from the budget itself. He explained that with liquidity or cash flow it needs to be determined if the district has enough cash on hand to pay current bills and current payroll. He indicated that it is different from if they will have enough money at the end of the year to pay all budgeted expenditures.

He directed their attention to the cash liquidity issue. He continued by explaining that the cycle of collections is in the very beginning of the year. He stated that the bills will go out on or about July 1st. He further indicated that the majority of the collections, probably 75% of the collections, will come in somewhere by late August or early part of September. He noted that these are the discount payments and the installment payments and what comes in after that are those who wait until the base or penalty and those who are paying the remainder of their installments. He stated that much of the current real estate tax cash will come in within the first few months of the year. In addition to that he noted that the other large portions of money are the subsidy payments from the state. He continued that the state will make payments in July, the district will be getting several million dollars every couple of months and they will be sending the district money. He noted that however if they do not have a budget, they do not have the authority to be able to release that money. He indicated that the longer they go through their budget process and they do not have an approved budget the district may be three, five, six, nine million dollars behind before they approve a budget. He pointed out that the district is now looking at that cash not coming on board. Mr. Majewski stated that if they have the TRAN approved on June 8th and they get the cash in they are looking to have that in the summer and will provide the bridge cash that last year they paid off by the end of September because they received their real estate tax revenues and they did not have any other issues. He continued that if it is necessary to be able to hold off on payment of that TRAN for three months to six months period of time until they get their budget approved they now have sufficient cash on hand to be able to continue paying for our operations for the remainder of the year. He stated that the problem they have created is on the budget side. He indicated that they have the liquidity issue under

control. The issue of whether or not they will have sufficient budgeted funds in order to be able to maintain the current programs and expenditures that they are looking at right now will not be settled until the district knows what the state is paying. He continued that if the state does not have a budget they don't know what their subsidy is going to be. They don't know how the stimulus money is going to be paid to the district. It becomes quite the question mark. With senate bill 850, that is a multimillion dollar question mark. He noted that as they go through the year, the longer it takes, the less clarity they have. He illustrated with the example of waiting to make reductions and the state does not approve a budget until half way through the district's fiscal year the district then has a \$5 million problem. The likelihood of making up \$5 million in six months is not good. So at some point, as Mr. Majewski points out, they have to be reading what is going on with the state at making decisions. What is their funding going to be? How are they going to respond to it? They may need to react by starting to make certain cuts or eliminations earlier in the year even before the budget is approved. However they start seeing good progress and this progress can be crucial in making some of those determinations. They may see that they are not going to be this far apart between the senate bill 850 number versus the what governor's budget went out. They can better identify what that gap is going to be and better projecting if they are going to have sufficient money or if there will be a shortfall or is it going to be in excess of what is budgeted. He noted that their real issue now, that they are going to be wrestling with over the next couple of months is, what is the funding going to be and how is the district going to respond to any loss of state revenue as they are going through and approving the budget. He stated that if the district does not have sufficient money from the state and they do not make changes to the expenditures in order to be able to react to the reduced subsidy payments, their budget deficit instead of as is now budgeted won't shrink, it will grow. If it grows, the problem at the end of the year and the cash flow issues will now become greater. He continued that they have a budget that is intended to be able to start to attack that problem. Depending on what happens at the state, it may make the problem worse if the district does not respond to it in a timely manner appropriately.

Director Tenaglia noted that Mr. Majewski raised several points. He said that some of these programs that they commit to are not switches that can be turned off and on. He asked if they make commitments to personnel based upon assumptions in the budget and if the state pulls the money out, does the district have the flexibility to eliminate staff at that time. Mr. Majewski responded that what they need to do from their end is try to look at what if and transition plans because Director Tenaglia is right that some of these things cannot be eliminated overnight because they impact other areas. He illustrated that if you take a program that services a number of children and it is eliminated, these children need to go somewhere. They need to have programs. They need to have schedules. Mr. Majewski conjectured how the district responds at the beginning of the year versus if they were going to make a decision at some time into the year and at some point the savings need to be calculated. He used an example of a program with ten teachers and the children are put pack into the classroom. But depending on where they are going and the schools they are at, ten teachers may not be eliminated because class sizes will be impacted separately. Some other

issues including the administrative and clerical staff needs must be looked at to determine the true savings and at what point in the year.

Director Tenaglia referred to Attachment A and noted that the pink-red shaded areas indicate the cost to run that program and not net of the expenses that Mr. Majewski just indicated that if they were to incorporate them back into the main educational function the district is not going to receive a \$1.2 million savings. Mr. Majewski replied that is correct.

Dr. Lewis added that they could see potentially, depending on where those students came from and where they go back to. He indicated that they have not done that analysis yet. They don't know where open enrollments are and what would happen if they were retreated, which can happen. The board does have the right to terminate those. There is not commitment beyond the fact that they have applied and there is an opening at that time. He noted that the district does not have nor have they ever hired a teacher because of open enrollment.

Dr. Lewis proposed that every month, but it will probably be done bi-weekly, they will stop and look where they are. What is the dollar amount they are anticipating that they have left if certain programs are not curtailed?

Director Tenaglia noted if they start the school year, they lose the impact of the elimination. Dr. Lewis indicated that the critical months are going to be July and August.

Director McKeon asked Mr. Majewski if he understands correctly that they have two exemptions. He stated that he is more than satisfied with the budget as it sits but the fiscal reality is they might have to ... He asked Mr. Majewski to give the dollar amounts for either one of them or the millage. Mr. Majewski responded that what they have right now is a little over \$5 million worth of exceptions that are approved which could increase our millage approximately 10%. Director McKeon stated that he is not looking to go that way. He was looking at the revenue forgiveness for lack of better description – an exemption allowed because of the shortfall in revenue, maintenance revenue, as a potential that would require us to go above the 5% without going to referendum. He asked Dr. Lewis how much money is that. Dr. Lewis stated that Mr. Majewski is correct and it is about \$5 million total. Director McKeon then asked that he get just the revenue number. Dr. Lewis responded that it is \$1.02 million. President Leeson stated that together with the debt service it is two. Director McKeon stated that he is not willing to support the debt service. He stated that is the district's bed and they have to sleep in it. Dr. Lewis said that the point is on the maintenance of revenue they could raise about \$2.7 million or 1.02 mills above the 1.98 now. So they could go as high as 3 mills increase without needing... Director McKeon – and that is your statement... an alternative. Dr. Lewis confirmed and stated that they would be leveling the tax that the state refused to do.

Director Amato asked about the red items. He inquired about reinstating the Welcome Classrooms because he saw them struck out. Dr. Lewis replied that the three Welcome Classrooms are funded by grants and the others are

out and were out. They should not have been listed. He noted that they were listed because they wanted the board to know so they struck those. He said that those classes are shut down and there are three classes and not six.

Director Amato inquired about the Freemansburg property that is also crossed out. Dr. Lewis stated that the board as a majority said that they did not want to sell that property however he recalled that two of them said that they should keep it open and that is why it is listed. He said they could go there. (Director Amato is not audibly clear in this section.) He inquired as to the number of students in the RASA program. Principal, Jill Moran responded that there are 112 students in the program. It was stated that there are approximately 70 students in the Career Academy. Dr. Lewis stated that SPARK is a little deceptive as a number because it is now roughly a quarter of a million dollars in savings. He continued that they had received permission to underwrite that with Title I money. He noted that money cannot be touched by the board. He stated that they cannot touch the Title I money or the IDEA money or the Title IID money. He stated they can only touch the SFSF, the Stabilization Fund dollars. Director Amato noted that between those programs, 182 students would have to be put back into regular classes if the programs were shut down midstream. Dr. Lewis said that they believe that the high schools could handle them but they do not believe necessarily the elementary schools could because they come from a concentrated area. Director Amato stated that he believes that this would cause chaos if they would start the year and shut them down say in December if the budget passed by the state did not give us the money to keep us afloat. Rather than going deeper in debt they would cut programs. But to cut them in December would be mishandling them. President Leeson clarified by saying that she thinks Dr. Lewis made a very good point when he said that they can establish their revenue side, it is their expenditure side that may vary over the summer. She continued that she thought Mr. Majewski made a good point that the decisions are going to be better made in July and August than as they go into the year. She thought that Director Amato was trying to say the same thing. She continued to say that the better a handle they have on what is happening at the state level, the better decisions they will be able to make on the expenditure side. She stated that she thinks what they need to do is to make sure that they are comfortable with the revenue side and with the expenditures to date with the understanding of what could happen as they go forward.

Director Koch wondered when they pay the charter schools and cyber schools, at what point in the year is the money sent to them. Mr. Majewski replied that the district is required by ACT 22 to be able to provide them with one twelfth by the fifth of the month the payments for their tuition. He continued that with the brick and mortar schools they get their billings that are reviewed and they make those payments on or about the 5th of the month every month starting with July through June. He stated that they don't write the checks for the cyber schools but that those schools have to apply to the state and the state gets around to paying them. He continued that years ago, the board did not authorize him to reimburse cyber schools directly like he does the brick and mortar schools so the district does not cut those checks. Director Koch asked if the state then deducts it from the subsidy. Mr. Majewski responded affirmatively. She reiterated that by law, ACT 22, the

district is required to pay these schools by the 5th of the month and asked what the punishment would be should these payments not be made. Mr. Majewski replied that if the district does not pay these schools directly they will follow the same process as the cyber schools by applying to the state which will then deduct it from the subsidy. He noted that it results in a gap of time before they get their money. Director Koch inquired if the state does not even have a budget yet and it gets into March and they are not going to punish the district if it does not pay that what difference would it make. (Laughter...) She continued that this could be money that would be better used for running the schools. Mr. Majewski stated that they would get back to the cash flow issue versus the budget issue. That would affect their cash flow which at this point is not so much the problem however even though they don't make the payments according to the accrual system if they have an obligation to pay them even if they don't pay them he will still need to book the expenditure. But they would still have the cash on hand. (Laughter...)

Director Cann stated she is concerned with the big ticket items in red. She said obviously they are putting them in a very, very precarious position. She noted that it is really challenging them and putting them in a lot of jeopardy and stopping them midstream would be a problem. She thinks that they should seriously consider simply not doing them because they can't have the finances of the district held hostage to the state budget in this major way this year or any year. She thinks they have to seriously consider saying they just can't do it. Dr. Lewis asked if that is a decision they need to make before August. She replied why not by June 30th when they pass the budget. He replied because they can delay and adjust the expenditure side. She clarified that even if the money comes through, she hates that razor thin line that they are walking. She stated it is so difficult to support these programs with what they have. It is too difficult and it puts too much else in jeopardy. It puts their regular mandated programs in jeopardy and she explained that she is saying this with a heavy heart but it is staring them in the face, that they can't put themselves in this position.

Director Amato agreed with Director Cann that this has to be decided before the June 30th passing of the budget. Director Cann said it is a terrible thing but it is putting them on the precipice of not being a solvent school district and that is too much to ask. No program can ask that of them. President Leeson added that one of her concerns is that even though they reduce some of these programs and they still have the program when times are better they can grow it back again. But if they get rid of it, they will not bring it back again. Bringing it back will require so much time, effort and money that these programs will be gone from the district. So she has concerns and she understands Director Cann's thinking and she appreciates it but she is concerned about eliminating a program. Director Cann said considering the deficit and the possible exacerbation of the deficit, they will have plenty of time to restart them because it will be a long time before they can afford them again. Dr. Lewis stated that with all due respect, he thinks it is shortsighted. He thinks that they are going to pay deeply on the special education side. He noted that Mr. Agretto did an analysis on that. He explained that it won't hit them in year 1 or year 2 but it will hit them in years 3, 4 and 5. The special needs population will grow because kids

won't be on level and identifications typically climb when kids are not reading on level. Director Cann asked if subsidies are more available in that genre than in this. Dr. Lewis responded that they are not and that until this year they have been cut every year. He noted that if they put the Career Academy kids back into the high school, they will survive; some will but many will be on the street. He continued that Director Dexter saw amazing things. He does not want them to pay on the other end. He said that as he leaves the district, he does not want to say that they got the budget straight, they saved \$3 million but what is going to happen five years down the line and he worries about those kids. He would rather the district wait. He does not want to yield to these guys. He commented that a couple of them said that this is a despicable bill. He continued that this is a horrible, horrible bill that the senate would do to politically embarrass the governor. Maybe the governor is asking for too much, he does not know but he supported education. He thinks there is going to be a standoff. He has faith that the right people will win the standoff. If they don't, then come August, they do some drastic measures and they go from there. Director Cann stated that even if they get the funding, they are just a sliver away from another crisis and if they keep these things it is not just costing them the \$3.5 million. She stated that it is costing them possibly their solvency. Dr. Lewis replied that he does not believe that because in a \$190 million budget he does not think... if they were down \$25 million the solvency argument is a legitimate one. He just believes that it's a hump. He believes indicators today that he watched in the market and early indicators are October with the exception of unemployment, January. He believes that the indicators are fresh. He thinks our president is pushing hard. He is seeing a lot of indicators and he is not an economist. He noted that Mr. Majewski is much better at this than he is. But he just does not want to say that he is holding these guys (inaudible).

Director Dexter stated that she goes back and forth on this issue and what do they do. She agreed with Director Cann that they are walking the precipice and it is a dangerous road but just as their finances are dangerous to them, also the other danger is what do they do with the children who are impacted if they cut the programs. She recalled that two or three months ago she was saying that it is inevitable just as Director Cann is saying tonight. They have to cut these programs because they can't afford them. She does not think that they just can't afford them right now because she looks back over the last two years budgets and they were overrun then too. But she knows that Directors Tenaglia and McKeon visited SPARK and they came back with all kinds of information. She went to visit RASA and she has been to Career Academy and spent some time there. She commented that other board members have too. She agrees with what Dr. Lewis is saying about this. If they dissolve Career Academy all of those kids would not graduate who are going to be graduating on Monday night. She really believes that. She does not believe that those kids are thugs or unmotivated kids. She thinks they are kids that came to them with backgrounds that some of them can't even imagine living under those circumstances. She recalled that she went to RASA recently and Dr. Lewis referenced this note when they were sitting at the legislative meeting and she just had to jot some things down because what she saw there reminded her of how great they are doing some things in the district. She noted that RASA is one example. She continued

that the district has a lot of greatness and it is not just these programs which is why they are struggling so much with what to cut. But what she saw at RASA was not at a scheduled meeting. No one knew she was coming. It was just a random "Here I am" meeting. She went into a math class where she saw many math programs going at one time. There was individualized instruction for every student. She saw every student engaged, not 90%, it was every student. She recalled that they were all working on something different on their screen and the teacher was walking around and engaged. She saw Ms. Moran walking around and none of the students looked up when she came in so she knew she has been in and out of the classes every day, several times a day. She noted that every teacher in the school knew every student's name but the most impressive thing for her at RASA was a class on robotics. She walked into the science class and the kids were divided into different groups and so conversation just flowed. She walked around the different tables that are filled with kids that would have been the bottom performers in all of the elementary schools. She observed that they were bubbly and chatty. She asked them to tell her about their school and about this place. She noted that they were just filled with themselves and all talking at once. "This is the greatest school ever". She recalled that at one table in the robotics there was a student who had been to five schools, one to twelve, one to eleven, and they were just saying "they really love you here... they really know us". She recalled one little girl who said you can be yourself here, you don't have to try to be anyone else. Another little boy said nobody makes fun of you here. If you don't know, that is just a sign that you need more help. Director Dexter stated that on one hand she is a little embarrassed that those things are perceived as going on in the other elementary schools but she thinks that is life, not just in Bethlehem but everywhere. When you have a class filled with 20 or 25 kids, there is always someone who is the bottom performer. But in this school they are able to take these kids and make them feel good about themselves and give them another chance and improve where they were. She went into other classes too where she saw 6th graders sitting on the floor being read to by a reader who had a lot of expression and tone in her voice. She was a teacher aide. She had a relationship with the students that you could see. They loved it and they needed it. They needed to hear the phonetics and the tone. She went into other classes too like the guidance class where kids were talking about who is your hero and why. She does not even want to say what was going on in that class but it was just interesting because even though she walked in with the school principal the kids really did not look up or even notice them. It was just like an everyday thing. They were chatting and the conversation flowed. She recalled that looking around that room, she knew that some of those kids were the ones that sat in the corner, who were disengaged in some of the other classes, who did not want to come to school. She knew from talking with the kids at different events like the Demo Day at RASA and different events at Career Academy that they all say the same things. They say nobody cared about me. She doesn't think it is necessarily true that nobody cared but in a smaller environment the kids could feel that caring. They could see it. Everywhere they went in the school, everyone knew their name from the cafeteria worker right on up to... She did not know everyone of their names but she knew a few of them when she left and she is sure that if she went back every day of the week she probably would know all 100 in RASA because the kids were engaged.

When she left that school and when she left Career Academy, when she went the day after they were told they did not have to move, she had a renewed thinking of why they need those schools because these would be lost kids. She noted that they have 100 at RASA and they have 70-some at the Career Academy at any time. She recalled the statement she made a couple of months ago saying that they have to cut programs and then she renewed her thinking listening to Directors Tenaglia and McKeon talk about SPARK. It is not that she thought SPARK was ever a bad program. She stated that she always thought it was a wonderful program. But the question is who pays for that. She still has that same question in her mind, who is going to pay for preschool but right now she does not want to cut these programs and then have the legislator tell them later that alright they have the money to operate because then they will have lost some of these kids. She stated that there is not a doubt in her mind. Some of them in SPARK they will have lost if they don't engage them and get them so they can go to kindergarten and know their alphabet and their numbers and have some things operate. She recalled that it was impressive. She thinks that those are the opportunities that they ought to make more of in their schools. They have been working towards that model. But for her it does not make sense to her for them to crash where it is working which is SPARK, Career Academy and RASA. Those are the schools where they are reaching kids. They are affecting the lives. She suggested that maybe they should be looking at class size. She is unsure if that is the right answer. She noted the numbers just as anyone else does. But if they added one student to classes maybe they can save.

President Leeson reminded those who may want to go to the Minority Awards that it is after 6:00 and that starts at 7:00.

President Leeson observed that their discussions seem to have taken place out of a little bit of fear of the unknown. She thinks that the first thing they need to really get a handle on is the current budget and with the assumption that they will get the monies anticipated can they pass this budget as it is. Then she thinks they need to take a second look at if they don't get the money then what do they do. She thinks that they must first be comfortable with this budget and prepared as a group to pass it.

Director Follweiler noted that Director Cann brought up a real point that they all have to face and they all have faced it. Again, as she said with a heavy heart, they are looking at this and they have been looking at this for months and these poor people involved in these programs and the children have obviously been living a very stressful life while they have been having these discussions but in looking at the budget issues they have to have this discussion. She thinks that every single one of them have gone back and forth with the money. She referred to the phrase that someone told her before she came on the board, the business hat and the education hat and they have to wear both of them. She noted she had personal experience watching the business hat in the business world, as she is sure many of them do, where things are cut that they know will damage decisions later. So she thinks they have to do soul searching and reflect on what Director Cann has said. She stated that she does not want to cut any of these programs either but they do need to tweak the numbers. She thinks they need to look back

at the land although she does not want to sell that either but she would rather sell the land than cut a program. She thinks they have to look for that and other things like that that are large chunks of money and again that is no guarantee. She noted that she was going through the items that are on the paper they got tonight and she knows that they directed the administration in the transportation department to take the savings out because it was not guarantee but then it is actually increasing by \$200,000 the rest of the monies which she does not think she ever saw that before. She thinks that there are other things that they have to comb back through and any input that anyone has that they can find monies but they have to remember that the main stakeholders are the taxpayers and the students and all the people involved in the programs. She stated that they have to find a way of how they can satisfy all those entities. She noted that they can increase taxes by 10% as Dr. Lewis said about the comment that was made in the legislature meeting have the political will to raise taxes but somebody is going to say do you have the political will to bring up the point that Director Cann brought up to say what do they do. She noted that she personally has tossed back and forth with SPARK a lot. She knows it is a preschool program that is successful and she knows it is successful into the schools. But the charter of the schools is K-12. So is there some entity out there, as they got this year with Title I funding, that is going to fund preschool that is separate from K-12. She does not want to push the money into somebody else's pocket but that is something for this budget and subsequent budgets... Looking back, if they could go back over the last ten years and say what decisions did they make that could have been made differently now with the situation they are in...of course they can. But they are there. This is the money they are dealing with right here and now and they have to go forward. She stated that she does not know the answer. She noted that the current budget is still increasing the taxes by 5% and there are people out there in the community who are happy to pay it because they know the value of programs and they know what it will do and there are people out there in the community who are saying they don't have another penny to give, you can't get blood from a stone. She does not know what they should do with this situation but if Director Cann had not brought that up, then maybe they would not be talking about it right now. She restated that her main point is that they need to go back and look at the \$750,000 potential.

President Leeson suggested that they look at the current budget and asked what would make them comfortable with the budget with the assumption they would get the money.

Director Tenaglia asked Mr. Majewski about the covering memorandum to the proposed budget draft of May 5th. He referred to the second page where he addressed just below the number three in the steps, assuming a 1.98 mil increase and then he goes on to the expansion of the assessed value of 60,000, tax increase of \$119 with an offset of \$181 for a net decrease of \$62. He asked if Mr. Majewski has done or could do a calculation as to what the millage could increase so that the net tax effect on the 60,000 assessment would be zero. Dr. Lewis noted that the \$181 had been adjusted to \$177 but that they did not want to reprint the booklets. He noted that is \$4 so the net savings is \$58 but that \$58 he could equivocate to zero.

Director Amato asked what is the number they need to get to in the budget. There was discussion about various numbers while Mr. Majewski calculated the number from Director Tenaglia's request. Mr. Majewski replied \$178,556,996 plus they don't have the grants here but that would be in the final budget but that is the number at 1.98 mil, 5% increase. It was confirmed at \$178 million.

Dr. Lewis suggested that, from the expenditure side, they continue to work offsetting that and those dollars go into the contingency not that they alter their increase. He stated that they can't alter their increase below the 1.98. He assured the board that they will continue to work in that direction in any way they can. He referred to President Leeson's point and asked if they can support that. He told the board that every time they meet, regardless of the meeting, they will give an update on where they are. He said that as the state gets closer to defining the amount they are going to fund, they will start to get indicators. They will see proposals and they will get a better sense of where they are going towards that dollar amount. President Leeson stated that there is a question on the table and asked Mr. Majewski if he had the number for Director Tenaglia. Mr. Majewski replied that the \$177 Homestead/Farmstead equates to 2.95 mills or .97 higher than they are right now. He continued to point out that when they are taking a look at those because the Homestead/Farmstead is not cumulative the \$181 did not move on to the top of the \$177. So if they are looking for the taxpayer to pay the same and what was the increase it would not be that 2.95 because last year the \$181 actually lowered their taxes. If it raises again, it actually brings it down, so what they are looking at right now even though this will show a \$68 decrease, it will, if you compare two years together, it would be an increase over what they would have paid over the two year period. He continued that it was because the Homestead/Farmstead is only a one year shot as opposed to being cumulative. Director Tenaglia asked if it was roughly a mil. Mr. Majewski confirmed that it is roughly a mil. Director Tenaglia asked how much revenue a mil would bring the district. Mr. Majewski replied it would be about \$2.6 million.

President Leeson addressed Director Tenaglia by saying to clarify that the Homestead/Farmstead Act is exactly the same amount of money for any homestead no matter how much the taxes are so although this indicates for the average, there will be some households that will see more of a net decrease in their taxes and some will less. Director Tenaglia replied that this is an average. He continued saying if they were to keep the 60,000 assessment tax-neutral they would have roughly \$2.5 – 2.6 million. He went on to say the differential between the 3.4 that he mentioned and the 2.6 is something that if they sharpen the pencil they could get to.

President Leeson reiterated the question on the table to be if the board wants to go over a 5% tax increase and right now according to Director Tenaglia's proposal is to basically make it cost neutral with for the average household with the Homestead/Farmstead money. She qualified that this does not go to every homestead but only to those who apply. She asked each director where they stand on this issue and received the following responses: Director McKeon – supports, Director Cann – does not support “absolutely not”, Director Amato – response inaudible, Director Koch – yes, Director

Tenaglia – yes, Director Haytmanek – yes. President Leeson clarified that the proposal would be to increase the tax so that the exception would neutralize. She expressed her support for no more than a 5% tax increase. Dr. Haytmanek asked if the board can do that. Dr. Lewis responded that yes because they have an exception that permits them to go vote on the increase or they can go up to 2 mils over.

Dr. Lewis suggested that the board considers a half a mil and maybe not get to the neutral as Director Tenaglia said. He continued that it would at least be a little bit of savings. Director Dexter asked how much that would produce. Dr. Lewis responded that it would be \$1.32 million. He explained that it would make the reserve at least \$3 million going out. Director Dexter asked what that would do to the tax bills. Dr. Lewis replied that it would be a \$29 savings. Director Dexter asked if that would be over what they had this year. Dr. Lewis replied it is a \$58 decrease, once the Homestead is backed out it would be a \$29 decrease. He continued saying he wanted to try to get it to zero. You are going to say no, we are going to give them at least money to go to the dollar store. He stated that it would be a \$29 credit in your pocket. President Leeson clarified that last year when they put out the tax bills the Homestead Act allowed people to get a \$181 decrease in their taxes so this year if they are going to make that neutral they are paying \$181 more this year because last year they got a \$181 savings. She further explained that if the tax bill was \$1,000 last year and they had a \$200 Homestead they paid \$800. This year they are saying that the tax bill is going to \$1,200 but they are going to get \$200 back so they are going to pay \$1,000 still \$200 more than they did last year. It would be wiping out the effect of the Homestead.

Dr. Lewis reiterated that it is not cumulative. He further clarified that the reason it is down slightly is because more people applied. He stated that the pool is very large. Director Leeson continued to say that the individual taxpayer, when they get their bill, is going to be paying more. She restated the question on the table to be can they tolerate to go to about a 2.5 mil increase instead of the 1.9 or 2.0 mil. A number of directors answered without speaking but President Leeson was heard to say no or yes as she acknowledged them. She noted that Director McKeon indicated yes. Director Cann spoke up to say no and that they need to clean up their own house and fix it here. Two other directors indicated no. Director Dexter stated that she was not ready because she has more questions about this. Two other directors indicated yes. President Leeson stated she is a no. The vote count stood at four – yes and four – no.

President Leeson asked Director Dexter what her questions were since she has not voted yet. She asked if they do that what are the differences that they actually see. Is this just a little cushion? Is it going to be saving a program even if the government does not give them the money? What are the conceptual ideas? Dr. Lewis stated that the reason he proposed is it would create about a \$3 - \$3.1 million contingency and anticipating a couple other areas they might even be able to grow that. He referred them back to the illustration to the worst case of 5.4. He indicated that he does not think they are going to see that. He stated that the next case may be three or it may be one. He explained that they will be able to sustain some

reduction in state funding and still have a little bit in reserves. President Leeson stated that if she is correct, the issue is the decisions would have to be made as they got additional information going on just as the expenditure decisions, just as they will have to be made as they go along. It is just that they will have a little more money in their contingency to make those decisions with. Director Tenaglia stated that this was his thinking to taking that full exemption because if there was that cut back they would have built it into the tax rate and they could have absorbed some of that assuming that it is going to come to that. He continued that if they came through with 100% and did not disturb the stimulus package at all then that would just be used or could be used strictly for deficit reduction. That is why he supports whatever the raise for that. Director Amato stated that he thinks Director Cann put it very well. They need to clean up their own act. He continued that they can't keep throwing this back at the taxpayers and keep raising and raising so they have additional money to clean up their act. He stated that they either need to do what needs to be done to keep at, and he thinks it is too high at the 1.9 mil or 5.8% increase, and they want to raise it even more in an economy where people are out of jobs and it is tough to survive day to day. He continued that to raise it another .6 of a mil is not right. He questioned that they are going to go from 1.9 to 2.5. Dr. Lewis confirmed that it is 1.98 to 2.5 and it is .52 to be exact. Dr. Lewis stated, with all due respect, that cleaning up their act characterizes them inappropriately. He continued that they have a maintenance of revenue that Director McKeon has pointed to that did not occur. They have a maintenance of revenue issue here. He stated that they are not adding programs. They are not spendthrifts. They are not spending more money on bolstering administrative staff, on reducing class size further. They are trying to maintain a revenue that took a nose dive. He stated that people, including the press, do not want to acknowledge that. He said take a look at the revenue side. If they want a true picture of where the budget is, take a hard look at that revenue side. He stated that is the issue. It is not cleaning up their act. Director Amato stated that they can't always pass it on to someone else. He continued that they need to take it and they need to do what needs to be done. He stated that they have so much money and they need to spend it in a way that is going to be able to maintain... President Leeson interrupted to state that they think they understand both points. Dr. Lewis stated that the issue is that they provided them with an exception because they recognize that maintenance of revenue is a critical piece of the development of budget. He continued to state that this comes from a different arm of the bureaucracy but it is there. Director McKeon addressed Director Amato by saying they should be constantly, an every day exercise to look, but he does not know if any paid any attention to the report that Mr. Majewski put together at his request. He noted that it indicated the projected PSERS impact. He continued that in 2012 they are looking at a \$4.7 million PSERS cost. In 2013 they are looking at a \$20.5 million, right now it would be about 8 mils, on top of what. They are going to have to do this dance and that was his statement last time reviewing this stimulus package so. He stated that that will go back on the taxpayer unfortunately because there is a multitude of sins behind that number. He would hope the district is, as they have always indicated, looking at trimming their costs. Director Dexter stated that she hears one board member say that they have to do what needs to be done and it is time to do it but what is on the table,

academic programs. Some people would say what needs to be done is they need to cut sports. Some people would say they need to be cutting something else. She continued that what needs to be done is what they are doing. They are talking about the balancing act and there is no reluctance on the part of any board member to make cuts... There is a reluctance to make cuts that impact people. She recalled that the last time they got together they were talking about their shock about finding out that they had cut soccer. Other times they talked about driver's ed and music programs. She noted that the bottom line is that they all want to keep everything that is good. Something has to go. She asked if it should be the academic programs. She stated that she does not know about that. She shared an idea that she had about the list of activities at Freedom and Liberty. She was thinking... she recalled that they would be funded at \$30,000 and then she looked at the paper that said \$20,000. Mr. Majewski stated that the paper that had them at \$20,000 needs to be updated and is to be considered as inaccurate. She stated that she is having a hard time even finding out how they are going to get \$20,000 out of these when looking at these. She commented that she has some knowledge of what the activities are. She noted that there are a few that could be cut. They could cut one worth \$322 here and \$357 there. But that is really not the bulk of it. She noted that the activities that are the big money ones are those that are the theater and music programs that are well attended and they are popular and quality programs. She noted that it occurred to her that maybe are some sources of revenue that they have not fully explored. She sees this in some areas. She suggested that they look at advertising on school buses, maybe get a sponsor who would sponsor a scholastic scrimmage. She noted that is one of the higher ticket items. She indicated that the math team was \$2,293. She suggested that maybe someone would sponsor, their company, the scholastic scrimmage for \$2,200 and drive it from one end to the other. She commented that she never wanted to do that before but maybe they need to think creatively now about those kinds of things because she does not want to see those things cut. She confirmed her vote as yes to raise taxes the \$29.

President Leeson stated that the board is marginally in favor of raising the tax rate 2.48 mils. She continued that they are talking about the revenue side and they only have five members who are willing to do that. They need to have a consensus on this budget not just the revenue side but the expenditure side as well. She continued that they need to have the majority of the board ready to vote for this budget whether they 100% like what is in it or not. She stated that what she thinks they now need to get the questions of where are they uncomfortable with the budget. She noted that several board members said that they are uncomfortable, that they were not ready to vote for the preliminary budget and that they needed questions answered. She recalled Director Follweiler was one of those people. She asked Director Follweiler what questions she had that she would like answered about the budget.

Director Follweiler replied that she had no questions but just a couple things on the sheet she was holding. She continued that these are questions but perhaps she is just confused. She pointed to the third line item which is the assistant superintendent for curriculum and instruction but then the second one up from the bottom is cabinet. She asked if some of the expenditures

split in there. She wanted to make sure they were not double dipping in those two categories. Mr. Majewski replied that they are not double budgeted. She stated that as she said before that they took the potential savings for transportation out but then the transportation goes up by \$200,000. She continued that she does not think they ever looked at that because they were seeing the reduction number. She stated she is not certain what that \$200,000 increase really reflects. Mr. Majewski replied that approximately \$70,000 of that would be the result of the cost of fuel. Even though the cost of fuel has come down, the amount that was budgeted in prior years was still insufficient to be able to make sure they have the correct amount budgeted. So they increased that budget from \$455,000 to \$525,000. He went on to address the supplies line that is used to maintain the vehicles went from \$257,000 to \$290,000. He pointed out another large component of that is the student transportation for IU operated programs. They have an increase of \$50,000 in that account. He summarized that they are looking at the \$70,000 plus the \$50,000 for a total of \$120,000 there. They were also looking at another \$30,000 in repair parts. He noted that as the majority of the increase in those three areas.

Director Follweiler stated that she has had this discussion with Dr. Lewis before but a community member brings it up to her often concerning the different private schools in the area and the public schools don't have the same calendar and what transportation costs could be saved if they somehow coordinated. She gave an example of the high schools with BECA, Notre Dame, Freedom and Liberty don't always have the same days off and days on. She proposed that they were perhaps running the busses just because Notre Dame is open or just because BECA is open. She stated that she knows that there is some type of statute that dictates they can't tell the other schools what their calendar is but is there savings if the district sits down with them. Dr. Lewis replied that Mr. Gilliland and he did do that. He also said that Mr. Himmelberger and another transportation person from another district got together at the IU. The non-pubs and the pubs people did agree to try but this year they did not get a whole lot closer. They got somewhat closer. He noted that he asked a state legislator to consider sponsoring a bill at least requiring a margin of days like they did with the vo-tech. In other words, try to get to a point where they have 175 out of 180 days that are common days. He noted that is not going to help them now but it is a good point because they are running busses every day they are closed. Mr. Gilliland commented that his thought on this after investigating it, is the fact is that if those people were able to standardize their schedule it is not so much although the length of the school year is in question as well it is also the efficiencies within the school day. He noted that it is there that they would be able to capitalize on the savings where ultimately it is almost like a shotgun approach. Everyone has certain starting time and ending time and they may be along in the same direction but those times may be off such that you can't use that same bus. Director Follweiler stated that she does not want to dwell on it tonight but that was an area where she does not know what the dollars are that would be potential there.

Director Follweiler stated the other things she mentioned before was the sale of the property. She commented that she feels that they need to look at that again. She noted that she knows they can't get it back if they sell it but

she thinks it is a chunk of money they need to look at. She continued that she thinks they have not really discussed the \$75,000 on community service being in the red. She thinks that needs to be discussed more. She said there are also a few other minor things that other people have.

President Leeson inquired the board about the sale of the Freemansburg property. She asked the board if they are they ready to put that up for sale now and they can defer that for a discussion throughout the summer and still put it on the market if they find. They are not locked. This is not a do or die decision right now but are they ready to put the Freemansburg property on the market now. Director McKeon – no, He stated that he is not ready to put it on the market but he thinks it is something that has to be looked at and investigated. President Leeson confirmed that he would like it to be something to be considered throughout the summer months. Director Cann stated that she knows they have a lease but it is short. She continued that she is ready to sell it. Director Amato – no. Director Koch – She stated that it is a one-time only income and it will not help them with the next budget. She noted that they might need that land in the future. She said “absolutely not”. Three other directors answered yes. Director Haytmanek commented that they can’t sell land out from under a school district because they will never get it back. He voted no. The vote was counted as four – yes, three – no and one – consider it. President Leeson stated her vote would be to let it stay on the table for consideration but not now. She is not ready to do it now.

President Leeson confirmed that the board is not ready to sell the property now but it is to stay on the list for further discussion over the summer.

President Leeson moved on to Community Service. She noted that it nets them \$75,000 and that is the person who coordinates all of the paperwork and all of the hours, tabulates them all, makes sure that all the kids have them. She noted that it is more than a full-time position. Director Dexter commented that it is such a huge item not just financially but in terms of the community impact. She believes that before they go to that, they ought to publicize that they are considering it to get input from people which would include anyone that would want to approach them including non-profits, kids, parents, teachers, administrators, anybody. She noted the impact that she sees although it splits \$76,000 in the budget it is a lifestyle issue. It is a character issue. It is something else. President Leeson asked the board if they want to pursue making a cut in community service or not pursue it. Director Koch indicated she has a question because the last time they met they asked Dr. Lewis to check on the Parkland program. She asked if that had been done. Dr. Lewis replied that it was provided for them in the packet. He continued that theirs is a club. He noted that it was researched by Dr. Donaher. The club has approximately 60 students. He indicated that it is not a requirement. Dr. Donaher indicated that very much like the list of clubs that are at Freedom and Liberty, Parkland has a club that is called Parkland Serves. He reported that they have an advisor and that it is one of the lowest reimbursed clubs that Parkland has. He explained that they value their clubs based on a points system and each point carries with it an amount of money like \$167 per point for the person to be reimbursed as the advisor. The Parkland Serves club is a 9 point club that is the lowest amount that

they can be reimbursed. He equated it with the French club, the Spanish club as opposed to Scholastic Scrimmage which is a 16 point club. The advisor for that club is reimbursed at \$167 x 16 rather than \$167 x 9. That is their way of determining how much an advisor gets. He continued that there is very little filtering of the hours. It is done mainly to be put on their transcripts so when they go to college it says they did some community service. He continued that there is no graduation requirement. It is not meant to be a graduation requirement. It is just done to acknowledge that a student does community service. They don't evaluate the area where the student does community service. He noted that he did ask what happens if a student believes community service is to cut their parent's lawn. He was answered that they would probably look into that but there really is not a desire to acknowledge good community service versus (inaudible). He continued that it is in no way meant to replicate the district's system of graduation requirements. Director Koch stated that she did not suggest that it was replicating their program but the explanation or description of that program that she got when she talked with someone had nothing to do with a club. It just had to do with individual students and that there was somebody who could just look it over and make sure that they did what they said they did. Dr. Donaher noted that they are mostly juniors and seniors and a few more that get into it to get the notification on their transcript. He stated that he spoke with Mr. Sniscak, the principal. He spoke to Mr. Kelly who is in charge of Human Resources. He continued that is where he got his information about the club. He explained that they use the word club because the advisors get reimbursed as per their club process. Director Koch thanked Dr. Donaher for looking into this item.

President Leeson summarized that they are looking at if they want to look into community service. She noted that Director Dexter has suggested that they would need to get input so it would be a process. She asked the board members if they would want to cut community service. One director indicated yes. One director indicated no. Director Dexter stated that she would look into it but as she stated she is not ready to do that tonight. Director Koch indicated no. Director Amato indicated no. Director Follweiler commented that she recalled from a couple of meetings ago when they discussed not necessarily to cut the program but what are they teaching the students about volunteer work when they are paying someone to run the program. She thinks that they need to look into it. She clarified that she is not saying that the person running the program is not doing a good job but it is a lifestyle. What they are teaching the children is that the lifestyle is you do it and you volunteer. Dr. Lewis commented that he does not think that an advisor, a professional staff member who is monitoring hours that counts towards the acquirement of a credit should be a volunteer. Director Follweiler stated that she is just throwing it out there. Dr. Lewis stated that he believes that all of the principals and administrators volunteer in a myriad of ways. He noted that he sees them on the weekends. He thinks there is a lot of modeling going on. Director Cann indicated that they should get the input. Another director indicated that it should be investigated. Director Koch reminded her fellow board members that it was not too long ago when they did a very thorough study through Dr. Donaher and they spent several months and a lot of time in studying this very thing. She continued that board members were invited to attend yet she was the

only one there at least from the board. She recalled that there were a lot of people there from the community. She asked why they are going to now redo that whole process that they have already done. Director Haytmanek commented that this mandatory community service for graduation was something that was voted in just before his tenure on the board so he really had nothing to do with it. He continued that it has really never sat well with him. Also, he thinks there are so many abuses in it. He explained that some of the programs that the kids are doing are very, very valuable. No one is going to fault the kids to a hospital or a nursing home or that sort of thing. He thinks some of the programs that are approved for the mandatory community service should be knocked out of there. He noted that is why he voted yes. President Leeson stated that she does not believe that this is the time they are going to discuss the community service and the value. She said that if the board is directing that they want it looked into then they need to set a meeting to look into it. She noted that she agrees with Director Koch in that they did discuss this issue and this is one salary that they are looking at.

President Leeson stated that they are looking for issues that people have that are preventing them from being able to vote for the budget at this point.

Director Cann asked how much room they have in this budget for capital improvements given what they normally spend in a year. She was thinking of about half a million in the fund. It was confirmed that they have not budgeted anything for normal upkeep. She indicated that is another concern. She continued that they need to remember that there is no money for just keeping up the facilities. Mr. Majewski indicated that they do have money for facilities but he thinks they are talking about capital improvements. He continued that there is nothing in there for bus replacements. He explained that they do have the Apple lease portion in there but there is a lot of other technology out there and equipment that is not scheduled for replacement and it is not budgeted. Director Cann asked if routine maintenance is budgeted. Mr. Majewski indicated that routine maintenance is budgeted for buildings. They did not cut back on the routine maintenance. He indicated that there may be some areas where they are looking for some efficiencies but there is sufficient money to maintain the facilities. Director Cann suggested that when they see things come up like roof replacements or a new alarm system or whatever things that come here they have nothing. Mr. Majewski confirmed that there is nothing in this budget.

President Leeson stated that in the new updated pages that they got they had shown the same number of principals, assistant principals, supervisors last year as this year and they should have a reduction. She stated that her question is was it removed from the budget. Dr. Lewis replied that unfortunately it is pooled in the budget calculation. The exhibit be changed from 19 to 18. He stated that they would be looking at this also.

Director Koch asked how many people do they have on staff that do home school visits. Dr. Lewis replied they have three and they are going to two. Dr. Lewis misspoke and he clarified that they have two which they maintained. Director Koch asked if they strictly visit students that are ill.

Dr. Lewis replied that they are not home school teachers they are special ed staff who do the first step in gathering information. Director Koch then asked as far as home school teachers, how many do they have. Dr. Lewis indicated that home school teachers are hourly as needed. He continued that they have a budget for that. Director Koch asked if they have on that list of students who require it, do they have a lot of kids who are also being visited because of punishments; because they have been expelled for a short amount of time and so forth. Dr. Lewis stated that they have altered that downward, significantly downward by using... our attorneys have investigated this and they meet the five hour through LAMP they can hold them... Director Koch stated that this is something that she has asked many times because she feels very strongly about it. If the student isn't coming to school because he has misbehaved they should not grant him the benefit of having a one to one instructor. Dr. Lewis replied that they have changed that and a lot of districts are doing that in other words they come in after hours.

President Leeson asked if there are any other questions on the budget. She asked Director McKeon if he had some issues on the budget. He responded that he did not. He stated that his only one was on the revenue and it was addressed. She asked again if there were any other questions on the budget. Director Follweiler said that she noticed a very little one that she noticed tonight. It is that public relations went up. She recalled that last year they reduced that. She noted that it is only \$8,000 but that she is just curious as to what happened there. Mr. Majewski replied that they have charged that budget primarily as through some internal copying charges that they have that have been with that budget ongoing so that a lot of the publication they have is the color copier for those internal documents that they have. That is what is causing the rise in the cost plus they have the calendar which they are keeping which they are keeping that to a minimum. But there is no personnel that is charged to that account at all. Dr. Lewis added that they even cut the volume of that. He continued that they will anticipate the savings but they want to make sure.

President Leeson asked about the restructured Apple lease. She asked if they were going to be looking at the aluminum or the plastic computers. She stated that what she is hearing is that the plastic computers break fairly easily particularly with the transportation. She noted that teachers need to be moving them back and forth and everything. She stated if they crack or break and they are no longer under warranty they then become expensive for them to repair. She also understands that the care of the plastic ones is much more extensive and time consuming than the repair of the aluminum. She noted that they are more expensive but she asked if there would be a way that they could reduce some of their costs. She stated that she understands that they currently get about a 20% replacement inventory. She asked if that is what they are still doing. Mr. Arbushites replied that he spoke with Apple that afternoon. He noted that Apple did offer an alternate price structure for the aluminum laptops assuming that they order the same number of laptops and under the same warranty conditions with similar configurations. He stated that it is going to add \$97,000 per year to the lease payment that Apple has proposed for them now. So that will be adding and that will take them up to \$767,000 per year lease payment. He

continued that when he brought the original proposal to the board from Apple, it was done in the interest of just minimizing the cost and that is why they had proposed the plastic Mac books. He stated that it is correct that the aluminum ones are more durable and they are easier to repair and aluminum just holds up better than plastic does in the long term. President Leeson asked if they are currently getting about 20% more for replacement computers. Mr. Arbushites replied that they are not. He stated that it is not that high now. He noted that they have been dipping into their spare pool supply of laptops as the Powerbooks have been failing. He noted that they have been at an alarming rate. He continued that they have basically exhausted their supply of Powerbooks. He explained that there is only a handful left in all of the schools and when they start failing they are going to have teachers going without laptops. President Leeson asked how many teachers are they going to service with number of computers. Mr. Arbushites replied 1,250. She confirmed that they are going directly into teachers hands and there is not going to be any additional ones for replacement units. He replied not for this lease. Dr. Lewis added that they will have replacements but not through this lease. He continued that the inventory is not just for different groups but it is a consolidated inventory. President Leeson stated that it is her understanding that with the aluminum and because of the turnaround time, they would not need the same number of replacement units because they could move them more quickly. Mr. Arbushites remarked that the 1,250 is based upon the number of staff that have gotten laptops before.

Director Leeson asked if they have looked at the warranty coverage and is an extended warranty paying them or not paying them. Mr. Arbushites replied that the lease costs that he has included in the document includes a three year Apple Care parts only warranty which means they have the in-house staff to repair the laptops and they are basically getting parts for three years included in this price.

Director Follweiler counted that there are 1,031.72 teacher positions. She asked if the 1,250 includes administrative staff. Mr. Washington stated that the number is derived from an FTE average. He continued that they do an average of the teachers and he goes to Mr. Majewski and they do an average FTE. That is how they come up with that number. He stated that he does not know where Mr. Arbushites got his number. Mr. Arbushites stated that is the number that is out there now. Mr. Majewski added that what they are looking at with the FTEs that they have to keep in mind too is that if there is a .4 person they have a body.

President Leeson stated that they have to understand that they will not know the numbers from the state by the time they have to pass the budget. She asked if their questions have been adequately answered and will the board be ready to vote on the budget at the end of June.

President Leeson asked Director McKeon if he was ready to vote on the budget now or did he need more information. He replied that he is fine with the way it is. She asked Director Cann if she would be ready to vote on the budget now or does she need additional information. She replied that she does not need any additional information. She asked Director Follweiler if

she would be ready to vote on the budget now or does she need additional information. She responded that she is ready to vote on the budget now. She asked if Director Amato was ready to vote on the budget now or if he needed additional information. Director Amato asked if it is the one they came in with or the one they leave with. President Leeson replied that it is virtually the same except that they are going to be looking at community service. She noted that they are going to be having a discussion. He noted that they had talked about upping it to .485. President Leeson said that is right. He replied no. She asked him if there were any questions that he needed answered. He replied that they need to get it back down where it should be. President Leeson asked Dr. Haytmanek. He replied yes. Director Tenaglia indicated yes. Director Koch indicated yes. President Leeson asked if there was a need for an additional budget hearing at this time. She stated that she does not see a need for it but she does see that they want to look at community service and that was the majority of the board. Director Cann added that they wanted to discuss the land more. President Leeson stated that she thought they were going to hold the land until they see what the state is going to do. Director Cann stated that the land is a lot more money than community service. She stated that they need to discuss these things. President Leeson recalled that when they took the vote it was no to selling and there was enough votes to hold on it now and not to go ahead.

Director Amato asked Mr. Majewski if they have to get an exception from the state on this new budget. Mr. Majewski replied that they do not as long as they stay under the index plus the accrued exceptions otherwise they can't approve it. Director Amato stated that he can't believe that they came in there and raised the budget.

Director Cann asked if they did not have to apply for the exception. Mr. Majewski replied that they already applied for the exception.

Director Cann stated that she was explaining to Director Amato that they did not raise the budget but that they raised the revenue.

Director Tenaglia asked Mr. Majewski if they are going to be presented with a revised budget with the increased millage to the 2.4. Mr. Majewski replied 2.4 rate and that is working right now and there is no additional information that they will be presenting to the board prior to the vote. He continued that if they get more clarity on what happens with the state that may impact what they present that evening. He stated with all things being equal it is 2.4.

President Leeson announced that there was an executive session prior to the Budget Hearing to address personnel matters.

EXECUTIVE
SESSION

President Leeson asked if there was anyone present who would like to address the board during Courtesy of the Floor.

COURTESY OF THE
FLOOR

1. Darryl – a reporter for the Bethlehem Press –

He stated that he lives in Catasauqua but his parents live on Catasauqua Road in Bethlehem. He stated that he came to the meeting as a reporter but his comments to the board are not as a reporter. He continued that he would like to make everyone aware that the tax increase they are looking at the offset on the Homestead Act and not everyone gets that even if they apply. He wanted to make sure that everyone is aware of that. He stated that if your income level is above a certain amount even if you own your primary home you do not get that exemption. He stated that is true of some retirees.

President Leeson stated that they are concluded for the evening. The meeting was adjourned at 7:00p.m.

ADJOURNMENT

Attest,

Stanley J. Majewski, Jr.
Board Secretary

/dls